

CENTRAL BANK OF BELIZE



Thirteenth Annual Report and Accounts 1994

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CENTRAL BANK OF BELIZE

Thirteenth Annual Report and Accounts 1976

Abbreviations:

ACS	Association of Caribbean States
BEL	Belize Electricity Limited
BSI	Belize Sugar Industry
BTB	Belize Tourist Board
BTL	Belize Telecommunication Limited
CARICOM	Caribbean Community and Common Market
CTO	Caribbean Tourism Organization
EEC	European Economic Community
GATT	General Agreement on Trade and Tariff
GDP	Gross Domestic Product
GRT	Gross Receipts Tax
IBC	International Business Companies
NAFTA	North America Free Trade Agreement
PETROJAM	Petrojam Belize Limited
US	United States of America
UK	United Kingdom
VEMS	Visitor Expenditure, Motivational and Satisfaction

\$ 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



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DIRECTORS AND PRINCIPAL OFFICERS
at December 31, 1994

BOARD OF DIRECTORS

KEITH ARNOLD - *Chairman*

CARLA BARNETT - *Vice Chairman*

JAIME ALPUCHE
Financial Secretary, Ministry of Finance

ARSENIO BURGOS

ANWAR FLORES

JOY GRANT

MANUEL SOSA

PRINCIPAL OFFICERS

KEITH ARNOLD - *Governor*

CARLA BARNETT - *Deputy Governor*

FRANK GARBUTT - *General Manager*

YVETTE ALVAREZ
Senior Manager, Research Department

MANUEL VASQUEZ
Senior Manager, Financial Services Supervision Department

CECILE REYES
Manager, Administration Department/Bank Secretary

BARBARA LOCKE
Manager, Banking & Currency Department

DWAIN DAVIS
Manager, Accounts & Budget Department



CENTRAL BANK OF BELIZE

Keith A. Arnold
Governor

P.O. BOX 852
BELIZE CITY, BELIZE

April 28, 1995

The Rt. Hon. Manuel Esquivel
Prime Minister and Minister of
Finance and Economic Affairs
Office of the Prime Minister
Belmopan, Belize

Dear Prime Minister,

In accordance with Section 56 of the Central Bank of Belize Act, 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, 1994, 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

	1990	1991	1992	1993R	1994P
POPULATION (Thousands)	184.3	189.4	199.0	205.0	211.0
PER CAPITA GDP (BZ\$, Current Prices)	3,665	3,836	3,985	4,389	4,475
GDP AT CURRENT MARKET PRICES (BZ \$mn)	675.4	726.5	793.1	899.8	944.3
Real GDP Growth (%)	10.3	3.0	11.3	3.6	1.6
Sectoral Distribution of Constant GDP (%)					
Agriculture, Forestry & Fishing	18.8	18.9	19.5	13.1	19.1
Mining	0.7	0.9	0.8	0.8	0.7
Manufacturing	17.1	16.2	16.6	16.5	16.9
Utilities	1.8	2.0	2.2	2.2	2.3
Construction	7.2	7.4	7.3	8.5	7.4
Trade, Restaurant & Hotels	19.3	18.4	17.5	17.5	18.0
Transport and Communication	12.6	13.7	14.4	14.5	14.0
Finance, Insurance, Real Estate & Business Services	9.5	9.3	9.1	9.0	4.8
Public Administration	9.0	9.1	8.8	9.5	8.2
Other Services	7.6	7.5	7.2	8.1	6.9
Less Imputed Bank Charges	3.6	3.4	3.4	3.3	3.3
MONEY AND PRICES (BZ \$mn)					
Inflation (Annual percentage rate)	3.1	5.5	2.8	1.6	1.8
Currency and Demand deposits (M1)	107.9	122.8	143.8	149.2	157.2
Quasi-Money (Savings and Time deposits)	269.2	306.4	325.4	324.4	350.0
Money Supply (M2)	377.1	429.2	469.2	473.6	507.2
CREDIT (BZ \$mn)					
Commercial Bank Loans and Advances	281.0	336.0	373.2	387.2	405.7
Public sector	7.3	4.9	1.2	0.3	0.4
Private sector	273.7	331.1	372.0	386.9	405.3
INTEREST RATES (%)					
Weighted Average Lending Rate	14.3	14.3	14.4	14.6	15.0
Weighted Average Deposit Rate	6.3	6.4	6.0	6.0	6.1
CENTRAL GOVERNMENT FINANCES (BZ \$mn)*					
Current Revenue	210.9	224.4	230.1	249.0	265.1
Current Expenditure	137.8	150.5	173.2	208.7	233.8
Current Account Surplus/(Deficit)	73.1	73.8	56.9	40.3	31.2
Capital Expenditure	85.8	118.4	148.6	139.1	86.7
Overall Surplus/(Deficit)	1.7	-42.5	-50.2	-69.1	-40.7
Domestic Financing	-7.4	24.7	26.4	32.3	24.5
External Financing	5.7	17.8	30.9	46.3	27.1
BALANCE OF PAYMENTS (US \$mn)					
Merchandise Exports	129.4	126.3	140.2	134.1	143.5
Merchandise Imports	188.4	223.6	244.5	250.6	230.2
Trade Balance	-59.0	-97.3	-104.3	-116.6	-86.7
Current Account Balance	22.1	26.6	-29.1	-49.0	-24.5
Capital Flows	18.2	22.0	29.1	43.3	18.0
Net Change in Official International Reserves					
note: minus = increase	-12.6	20.8	-1.4	18.9	3.7
Net International Reserves	68.2	49.3	50.7	31.8	28.1
Import Cover of Reserves (in months)	4.2	2.9	2.7	1.7	1.4
EXTERNAL PUBLIC DEBT (US \$mn)					
Disbursed Debt Outstanding	133.0	150.6	145.6	167.9	180.4
Debt Service Payments	16.8	15.3	13.7	15.5	23.9
Debt Service Ratio	6.4	5.9	4.7	5.4	8.2

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

P: Provisional

R: Revised

* 1990 = Fiscal Year

1991-1994 = Calendar Year



ECONOMIC REVIEW

Overview

Belize's real gross domestic product (GDP) grew by 1.6% during 1994, a significant moderation from the 3.6% expansion experienced in 1993. The slowdown in economic activity during the year largely reflected the decline in secondary activities as the construction sector contracted by 11.3% while manufacturing and public utilities grew by 4.1% and 6.4%, respectively. The slowdown also reflected the impact of the withdrawal of the British Forces which accounted for up to 4.2% of GDP. Primary sector activity grew by 2.7% as a result of expansion in agriculture, forestry and logging activities as fishing and mining activities declined. Growth in agriculture reflected a significant increase in output by the banana industry as sugar and citrus production grew only marginally. An unusually long dry season allowed the extraction of a greater volume of logs thereby contributing to the expansion in the forestry sector. Meanwhile, growth in services was boosted by a 4.1% increase in the trade, restaurant and hotels sub-sector. All other service sector activities recorded marginal fluctuations.

The trade balance registered a deficit of US\$86.7 mn in 1994, a 25.6% improvement over 1993. Imports fell by 8.1% from US\$250.6 mn to US\$230.2 mn while exports rose by a 7.1% to US\$143.5 mn. At the end of the year, gross official international reserves amounted to US\$34.3 mn or 1.3 months of import coverage.

During the year, money supply (M2) expanded by 7.1% to \$507.2 mn mainly as a result of a 9.1% increase in net domestic credit. Net domestic credit to the Central Government rose by 36.7% to \$90.5 mn while loans and advances to the private sector increased by 4.7% to \$408.6 mn. More than 70.0% of the increase in credit to the private sector went to finance activities in the secondary and tertiary sectors and was reflected in an increase in

production from these sectors. However, growth in credit to Central Government continues to crowd out credit to the private sector which has slowed consistently since 1992.

Total deposits in the banking system rose by 5.0% to \$471.0 mn seen mainly as an 8.8% surge in private sector deposits. Growth in private sector deposits came primarily from increased earnings in the tourist, banana and citrus industries. On the other hand, public sector deposits fell by 19.2% as Government and several public sector enterprises drew down on their deposits to finance capital projects.

Over the year, the net foreign assets of the banking system declined by 35.5% to \$26.5 mn as the net foreign position of both the Central Bank and the commercial banks contracted. The decline in the Central Bank's net foreign assets was primarily due to an increase in foreign exchange sales to the Government to facilitate external debt payments. The fall in the commercial bank's net foreign position was due to an increase in foreign liabilities, particularly a rise in foreign currency deposits held by International Business Companies (IBC).

There were no changes in the required liquid assets ratio or the required cash reserves during the year. Holdings of approved liquid assets rose by 10.2% to \$152.8 mn as increases in vault cash, net foreign balances, Treasury Notes and other approved assets outweighed declines in Treasury Bills and balances held with the Central Bank. Required liquid asset holdings expanded by \$9.3 mn. As a result, excess liquid assets increased by \$4.9 mn. Daily average holdings of cash reserves declined by \$0.7 mn (1.9%) while required holdings increased by \$2.3 mn (7.2%). Consequently, excess cash reserves contracted by \$3.0 mn (66.7%). The weighted average interest rate spread widened by 30 basis points to 8.9% as the weighted average lending rate rose by 40 basis points to 15.0% and the weighted average deposit rate increased by 10 basis points to 6.1%.



The Central Bank announced changes to interest rates floors and the rate structure at the end of March 1994. At the end of the year, the Bank removed the interest rate floors and announced changes in the liquidity and cash reserve requirements and the disposition of Government deposits in the banking system to take effect at the beginning of 1995.

Between January and December 1994, Central Government operations recorded a surplus of \$31.2 mn on its current operations, 22.6% less than in 1993. This reflected increased expenditure on wages and salaries (11.5%), interest payments on the public debt (29.4%) and subsidies and current transfers (30.3%). The overall deficit declined by \$28.4 mn to \$40.7 mn as Government reduced its capital expenditure by 37.7%. Financing for the deficit came from domestic as well as external sources although there were declines in both categories: domestic falling by \$7.8mn and external by \$19.2 mn. Having nearly reached the statutory limit of \$50.0 mn on the Central Bank overdraft account, Government increased its borrowing from the commercial banks by \$10.7 mn. External financing totalled \$27.1 mn as disbursements of \$51.6mn outweighed principal repayments of \$24.2 mn and deposits into the Joint Consolidated and Sinking Funds of \$0.3 mn. By the end of the year, Government's disbursed outstanding external public debt had risen by 13.1% to \$286.4 mn and the overall public sector debt stood at \$360.7 mn.

The outlook for 1995 points to GDP growth of between 2.5% and 3.0% as the real and fiscal sectors aim to improve efficiency and productivity. In particular, the citrus and marine industries expect both output and exports to increase. The tourism sector is projecting an increase in demand from the industrialised countries as those economies continue to emerge from recession. As the Government continues to implement measures aimed at reducing public expenditure, fiscal performance should improve, alleviating the unsustainable strain placed on the official international reserves during 1994.



International Economic Developments

World economic recovery swung upwards during the first half of 1994 and world output grew by 3.0% over the year as industrialised economies emerged from deep recession. As economic growth gained momentum and high levels of capacity utilisation emerged, fears that inflationary pressure could develop led to the tightening of monetary policies in the United States of America (USA), the United Kingdom (UK) and Australia. Further tightening in monetary policies may occur if economic growth accelerates significantly beyond projected long run growth paths. At the same time, with large margins of unused productive capacity in other industrialised countries, there seems to be little immediate risk of a generalised upswing in inflation despite a significant rise in prices of some commodities.

Economic performance in the developing world was mixed. In Latin America and the Caribbean, growth strengthened moderately as a result of increased domestic demand and exports. However, other developing countries experienced mild slowdowns as a result of large fiscal and external imbalances and high interest rates.

The new market economies in Eastern Europe experienced modest growth in 1994. Although economic growth is expected to continue in these countries as a result of stronger commodity prices and strengthened economic reform efforts, economic conditions remain difficult in most.

The successful conclusion of the Uruguay Round of General Agreement on Tariffs and Trade (GATT) negotiations and the passage of the North American Free Trade Agreement (NAFTA) marked important milestones in the movement towards trade liberalisation. With greater ease in factor movement and increased information flows, trade liberalisation will increase pressure on both the private and public sectors to increase operational efficiency and transparency.

Industrial Countries

The recovery in industrialised economies signals the

end of a protracted slowdown that began in 1989. In 1994, policy makers were faced with the challenge of ensuring a strong and enduring expansion with low inflation and high levels of investment over the long run which is essential for reducing the levels of unemployment that exist in many economies.

Expansion appears well established in the USA. By August, industrial production was 6.8% above 1993 levels and GDP growth was estimated at 2.5% for 1994. Investment continued to increase at a strong pace as enterprises expanded capacity to meet growing market demand. Unemployment decreased to 6.0% by May and remained steady through to August.

Canada realized growth of approximately 4.0% in 1994. The export sector experienced strong demand from the USA and resource-based industries were boosted by the increase in commodity prices. Unemployment decreased by a full percentage point between January and August although it was still relatively high at 10.0%.

In the UK, strong growth in retail sales as well as continued strength in industrial and manufacturing output boosted estimates of economic growth to 3.5% for 1994. Inflation declined more rapidly than expected early in the year and retail prices were just 2.3% above the level the same time a year earlier.

Regional Developments

On July 24, 1994, leaders of the Caribbean Community and Common Market (CARICOM), the G3 countries (Mexico, Columbia, Venezuela), Central American States, Cuba, the Dominican Republic, Haiti and Surinam signed the Convention establishing the Association of Caribbean States (ACS) to become effective in January, 1995. The major objectives of the ACS include broader regional economic integration through greater free trade among the countries of the Caribbean Basin and co-operation in the promotion of the Region's interests internationally.

An agreement on trade, economic and technological



co-operation between CARICOM and Columbia was also signed. This agreement envisages duty-free access to Columbian markets as of January, 1995, for specific categories of CARICOM products with CARICOM implementing reciprocal phased reductions in tariffs on Columbian exports in stages over three years.

The depreciation of the ECU/Pound Sterling against the US dollar and uncertainty about European preferential markets for the Region's agricultural products prompted reductions in banana production in the Windward Islands. This situation was further influenced by the uncertainty created by the ability of the European Union to vary quota levels of Latin American producers and continuing allegations of inconsistency between the new European Economic Community (EEC) banana regime and new GATT arrangements.

Over the first nine months of 1994, the Mexican economy grew by approximately 2.9%. The inflation rate for the first 10 months of the year was 5.6%, well below the 6.7% recorded for the same period in the previous year. However, the current account deficit, fueled by a growing trade imbalance, was leading to severe difficulties. Over the first nine months of 1994, the current account deficit amounted to US\$22.6 bn. Already estimated at 8.0% of GDP, it was expected to grow significantly in the final quarter as the Christmas season approached. This massive current account imbalance was primarily financed with short-term capital flows (portfolio investments) which were becoming increasingly unreliable. Many foreign investors, upon recognizing the unsustainability of the spiraling current deficit, lost confidence in the economy and began withdrawing their investments from the Mexican stock market. To finance the deficit, the Government was consequently forced to draw down on its international reserves which fell from US\$28.0 bn in January 1994 to just over US\$10.7 bn by October, 1994. By December 20, the peso was devalued by 15.5% to 4 New Pesos to US\$1.00. One day later, it was allowed to float freely, falling further to 5.6 New Pesos to US\$1.00. By the end of 1994, the peso had recovered somewhat to 4.9 New Pesos to US\$1.00.

In Jamaica, inflation declined considerably from almost 40.0% in 1993 to just over 20.0% in 1994. Bauxite production was sluggish declining by about 7.0% over the year. During the first half of the year, the merchandise trade deficit declined by US\$5.0 mn to US\$414.0 mn; imports were up 6.7% while exports rose by 3.3%. Net international reserves grew from US\$12.5 mn at the end of 1993 to US\$240.0 mn in June 1994.

In Trinidad and Tobago, economic activity rose by 4.0% in the first three quarters of 1994. During this period, crude petroleum output increased by 6.5% to 35.8 mn barrels as compared with 33.6 mn barrels during the same period of 1993. However, fiscal operations deteriorated, largely due to increases in recurrent expenditure, resulting in a deficit of TT\$326.2 mn (US\$55.0 mn) compared with a deficit of TT\$251.9 mn (US\$42.4 mn) in the same period in 1993.

The Barbadian economy grew by an estimated 4.0% in the first nine months of 1994 compared to 0.2% in the same period of 1993. Tourism and sugar provided the main impetus to growth. Net international reserves rose by B\$90.9 mn (US\$45.5 mn) during the first nine months of the year, an increase of 55.0% when compared to the corresponding period in 1993.

In Guyana, the economy grew by nearly 10.0% during the first two quarters of 1994 compared with 8.0% during the same period in 1993. Production of raw gold rose 60.0% to 191,267 ounces. There were declines in rice and bauxite production of 7.0% and 38.4%, respectively. Guyana's growing fiscal deficit, along with the 35.0% rise in the minimum wage and increases in pensions and benefits, points to deterioration in the balance of payments, higher inflation and further weakening of the Guyanese dollar.

The economies of the Organization of East Caribbean States performed sluggishly during 1994, as compared to 1993, as a result of the substantial reduction in banana production and less vibrant activity in the manufacturing and construction sectors. Tourism performance was strong as a 9.6%



increase in arrivals was recorded, largely reflecting the economic recovery underway in the major tourist markets. Inflation was moderate during 1994, ranging from 0.8% in St. Lucia to 2.2% in Monsterrat. Fiscal performance deteriorated during

the first nine months of the year as the current surplus declined by about 28.0%. Net official international reserves fell by 3.1% to EC\$685.4 mn (US\$253.9 mn) between January and September 1994.



Domestic Production, Exports and Prices

Overview

Preliminary estimates indicate that Belize's real GDP growth decelerated to 1.6% in 1994 from 3.6% in 1993 as declines in the construction and fishing industries partially offset growth in the agricultural and services sectors. The slowdown

also reflected the impact of the withdrawal of the British Forces which started in February 1994. It is estimated that the British Forces accounted for up to 4.2% of GDP so that their withdrawal resulted in significant contraction.

	1992	1993	1994P
GDP at Current Market Prices	13.3	8.9	4.3
Real GDP (at 1984 prices)	10.9	3.6	1.6
Primary Activities	14.0	0.1	2.7
of which: Agriculture	12.8	-0.7	4.0
Secondary Activities	13.1	6.7	-0.5
of which: Manufacturing	12.4	10.7	4.1
Construction	14.2	15.3	-15.5
Services	8.8	3.3	2.1
of which: Trade & Tourism	6.2	3.8	4.1
<u>Consumer Price Index</u>			
Average	2.4	1.4	2.3
End of Period	2.0	2.2	1.8

Source: Central Statistical Office
P: Provisional

Growth in the primary sector accelerated to 2.7% after growing by 0.1% in 1993. This acceleration reflects increases in agriculture, forestry and logging even as fishing and mining activities declined. The 4.0% rise in agricultural activity was largely the result of increases in banana, citrus and sugar production. Banana production increased by 10.2% following the consolidation of farms, infrastructure improvements and the continued containment of the Black Sigatoka disease. Favourable weather conditions contributed to increases in deliveries of

7.5% and 4.6% in citrus fruit and sugar cane, respectively. The citrus crop also benefitted from an early start. Poultry, pig and cattle production increased while the production of rice, beans and corn declined.

Forestry and logging activity expanded by 8.1% as a prolonged dry season facilitated an increase in the extraction of logs. Fishing, however, declined by 4.8% after growing by 7.8% in 1993. This was primarily a result of the late stocking of shrimp



ponds for the first crop and technical problems which led to a smaller second crop during the year.

After growing by 6.7% in 1993, secondary sector activities contracted by 0.5% in 1994 largely because of an 11.3% decline in construction activity. Public utilities and manufacturing increased by 6.4% and 4.1% respectively, but these were not sufficient to outweigh the decrease in construction. The drop in construction activity followed average growth of 16.7% since 1987 and was significantly influenced by Government's reduction in capital expenditure in the face of a growing fiscal deficit. While manufacturing activity grew overall, there was lower production of beer and flour.

Although service sector activity grew by 2.1% in 1994, this was a slowdown from the 3.3% growth recorded in 1993. The lower level of economic activity largely represented a decrease of 1.9% in transport and communications as a result of a reduction in the demand for telecommunications services following the withdrawal of the British Forces. Trade, restaurants and hotel activity grew by 4.1%, marginally higher than the 3.8% growth recorded in 1993. The increase in activity reflected the 4.2% increase in tourist arrivals during 1994. Public Administration rose by 2.4% as Government increased its current expenditure in all categories: wages and salaries, pensions, goods and services, debt servicing and transfers and subsidies.

The Consumer Price Index (CPI) rose from 1.4% in 1993 to 2.3% in 1994 and the increase was seen largely in the following categories: food, beverages, tobacco, rent, water, fuel and power. The rise in the CPI was most pronounced in Belize City and the Stann Creek district where the index rose by 3.7% and 2.7%, respectively.

Sectoral Review

The total value of domestic exports increased from \$231.9mn in 1993 to \$239.1mn in 1994 as the value of citrus concentrate, molasses, bananas and non-traditional exports increased.

	1992	1993	1994P
Traditional			
Sugar	75.3	82.9	80.6
Citrus	54.4	27.9	30.4
Molasses	6.4	8.1	10.4
Bananas	20.5	28.4	31.8
Marine	24.1	26.0	25.7
Other ¹	43.0	45.6	44.1
Non-traditional	6.0	13.0	16.1
Total	229.7	231.9	239.1

Source: Central Statistical Office
1 Garments and sawn wood
P: Provisional

Sugar

Sugar cane deliveries increased by 4.6% to 1.2 mn long tons during the 1993/94 crop year as favourable weather conditions resulted in an increase in sugar cane production and an improvement in cane quality. Deliveries to the Belize Sugar Industries Ltd. (BSI) rose by 6.6% to 1.0 mn long tons while deliveries to PETROJAM Belize Ltd. (PETROJAM) decreased by 6.5%. Sugar production by BSI rose by 4.8%. While the cane to sugar ratio improved as a result of the cane quality, overall factory efficiency fell marginally from 90.4 in 1993 to 90.3 in 1994.

During 1994, 92,845 long tons of sugar were exported at a value of \$80.6 mn representing an increase of 2.8% in export volume and a decline of 2.8% in export value below 1993 levels. Because of a 22.2% cut in the USA sugar quota to Belize, the share of exports going to the preferential markets fell from 60.2% in 1993 to 56.8% in 1994 and earnings from the US preferential market fell by 15.7%. The prolonged dry season experienced during most of 1994 is projected to continue into 1995 and is expected to adversely affect the 1994/95 crop year resulting in an estimated 19.9% fall in sugar cane deliveries.



Sugar production is expected to decline by 2.8% to 102,500 long tons while molasses production is expected to reach 30,000 long tons, a reduction of

30.0% when compared to last year. Sugar exports are projected to decrease by 3.5% to 89,623 long tons, valued at \$77.8 mn.

	1991/92	1992/93R	1993/94P
Production of Sugar cane (long tons)	1,103,700	1,146,106	1,198,894
Sugar cane deliveries to BSI	978,318	962,516	1,026,719
Sugar cane deliveries to PETROJAM	125,382	183,590	172,175
Sugar Processed (long tons)	100,528	100,611	105,397
Molasses processed by BSI	29,921	28,830	31,949
High test molasses processed by PETROJAM	5,957	12,438	13,911
Cane juice molasses processed by PETROJAM ²	9,697	12,761	10,611
Performance			
Overall Factory Efficiency (%)	90.53	90.40	90.33
Cane Purity (%)	86.72	86.16	85.77
Cane/Sugar	9.73	10.21	9.97

Source: Belize Sugar Board

1 Crop year = December to June

2 Exportation of cane juice molasses began in April, 1992

P: Provisional

R: Revised

The depreciation of the ECU/Pound sterling against the US dollar also adversely affected earnings from exports to the EEC market. The loss in earnings from these two preferential markets was softened somewhat by an increase in the value of exports to the world market from \$15.7 mn in 1993 to \$20.2 mn in 1994 which resulted from increases in both volume and prices. World market prices rose from US\$0.10 per pound in 1993 to US\$0.12 in 1994.

The value of molasses exports rose by 28.4% to \$10.4 mn representing increases in exports of high test molasses and cane juice molasses by PETROJAM and BSI, respectively. Exports of the higher valued edible molasses produced by PETROJAM fell. High test molasses is exported to Jamaica for use in ethanol production.

Cane farmers in the Orange Walk division received \$51.04 per ton during 1994, 6.7% less than in 1993, while those in the Corozal division received \$52.88 per ton, 5.9% less than in 1993. The decline in payments to cane farmers is largely explained by three factors. First the ECU/Pound Sterling rate depreciated against the US dollar resulting in lower payments for exports to the EEC market. Secondly, there was a new deduction in the form of the Gross Receipts Tax (GRT) which averaged \$0.50 per ton. Lastly, the dispute between growers and processors over the payment of a 12.0% rise in shipping costs which emerged during the 1992/93 crop year, was settled in December 1994 resulting in deductions for both crop years.



	1992		1993R		1994P	
	Volume	Value	Volume	Value	Volume	Value
Sugar (long tons)	89,934	75.3	90,298	82.9	92,845	80.6
E.E.C. (Quota)	42,102	48.9	42,234	56.4	42,569	51.3
USA (Quota)	13,822	12.5	12,136	10.8	10,210	9.1
Other (World)	34,010	13.9	35,928	15.7	40,066	20.2
Molasses (long tons)	6,670	6.4	52,378	8.1	53,006	10.4

Source: Central Statistical Office

P: Provisional

R: Revised

Citrus

Citrus fruit deliveries increased by 7.5% to 3.0 mn boxes during the 1993/94 crop year as the industry got off to an early start and weather conditions favoured the harvesting of the crop. The increase in deliveries in 1993/94 followed the 22.2% fall in 1992/93 from the record 3.6 mn boxes delivered in 1991/92.

The increase in citrus fruit deliveries in 1993/94 resulted in a 1.3% increase in citrus concentrate production. Since the production of grapefruit concentrate fell by 24.9%, the increase in production was seen in orange concentrate.

	1991/92	1992/93R	1993/94P
Deliveries ('000 boxes)1	3,606	2,805	3,015
Oranges	2,414	1,790	2,074
Grapefruit	1,192	1,015	941
Concentrate Exported2 ('000 gals)			
Orange	2,621	1,914	2,058
Grapefruit	1,917	1,324	1,541
Grapefruit	704	590	517
Value (\$mn)2			
Orange	54.4	27.9	30.4
Grapefruit	41.2	17.6	23.1
Grapefruit	13.2	10.3	7.3

Sources: Belize Food Products
Central Statistical Office
Citrus Company of Belize

P: Provisional

R: Revised

1 - Crop year = October to July

2 - Calendar year



The volume of citrus concentrate exports rose by 7.5% while value increased by 9.0% to \$30.4 mn.

Because orange juice concentrate accounts for the bulk of total concentrate exported (74.9%), a 12.8% improvement in orange juice prices offset a 19.1% fall in grapefruit prices.

The 1994/95 crop is projected to yield 3.2 mn boxes - an increase of 6.7% - while citrus concentrate exports are expected to increase to 2.2 mn gallons valued at \$37.7 mn. Plans are in place to commence the production of single strength orange juice for export to the European market in 1995. Although the introduction of this new export product will reduce the volume of concentrate being exported, its higher value is expected to increase earnings in 1995.

Bananas

During 1994, banana exports increased by 10.2% to 94.3 mn pounds with a record high value of \$31.8 mn plus a quality bonus of \$16.5 mn. The expansion experienced in the banana industry was as a result of the continued improvements in infrastructure, favourable weather conditions and financial and technical assistance from Fyffes Ltd. The industry's ongoing success in containing the Black Sigatoka disease was also an important factor.

After successful negotiations with the EEC in 1994, Belize's banana quota now stands at 55,000 metric tons or 121.2 mn pounds. Previously, Belize's quota to the EEC stood at 40,000 metric tons or 88.2 mn pounds. The estimated production for 1995 is approximately 120.0 mn pounds valued at \$36.3 mn.

Table 7: Exports of Bananas 1992 - 1994

	1992	1993R	1994P
Volume ('000 lbs)	61,944	85,586	94,310
40-lb net boxes	999,220	1,824,592	2,009,224
28-lb net boxes	784,818	450,082	497,907
Value (\$mn)	20.5	28.4	31.8
Quality Bonus (\$mn)	7.5	10.9	16.3

Source: Banana Growers Association
P: Provisional
R: Revised

Marine Products

Notwithstanding a 7.6% increase in lobster tail exports, the value of exports of marine products fell by 1.2% primarily because of sharp declines in exports of farmed shrimp, conch and whole fish. Prompted by attractive market prices, exports of whole cooked lobster recovered in 1994 after falling in 1992 and 1993. The decrease in farmed shrimp exports was caused by a combination of two factors. Firstly, ponds were stocked late for the first crop, significantly reducing yields at harvest time. Secondly, a partial contamination of ponds caused

by irregular bacterial deposits reduced the yield from the second crop. Plans to substantially expand the number of ponds under cultivation are scheduled for implementation in early 1995. The decline in conch and whole fish exports was largely attributable to increased local consumption by the growing tourist industry.



	1992		1993R		1994P	
	Volume ('000lbs)	Value (\$'000)	Volume ('000lbs)	Value (\$'000)	Volume ('000lbs)	Value (\$'000)
Lobster Tail	433	10,818	420	10,496	469	11,278
Lobster Head	14	86	7	41	10	60
Whole Cooked Lobster	76	1,069	4	55	119	1,669
Shrimp	925	8,382	1,377	12,393	1,117	10,054
Conch	432	2,980	381	2,970	341	2,388
Whole Fish	366	722	162	327	79	198
Other	25	141	6	30	10	70
TOTAL	2,271	24,144	2,357	26,016	2,145	25,717

Source: Central Statistical Office
P: Provisional
R: Revised

Other Exports

Garments

During 1994, 3.3 mn pieces of garments were exported, 23.3% less than the previous year as 2 factories closed down their operations. As a result, the value of garment exports decreased by 11.4% to

\$36.5mn. The less than proportionate fall in export value was because the closed factories were producing lower valued items.

	1992	1993R	1994P
Volume (mn pcs.)	4.1	4.3	3.3
Value (\$mn)	37.3	41.2	36.5

Source: Central Statistical Office
P: Provisional
R: Revised



Wood Products

During 1994, exports of sawn lumber rose by 41.9% to 4.4 mn board feet as a prolonged dry season facilitated access to low-lying locations making it feasible for more logs to be extracted than in the

previous year. The value of lumber exports increased by 72.7% to \$7.6 mn reflecting a rise in the average price received for sawn wood following a shift towards the export of a higher value product.

	1992	1993R	1994P
Volume ('000 bd.ft.)	4,801	3,124	4,437
Value (\$'000)	5,705	4,392	7,630
Average Price (\$/bd.ft.)	1.40	1.41	1.72

Source: Central Statistical Office
P: Provisional
R: Revised

Non-traditional Exports

Belize's efforts at diversification continued during 1994 in non-traditional areas such as papayas, peanuts and red kidney beans but with mixed success. Exports of papayas increased from 1.5 mn pounds at a value of \$1.1 mn in 1993 to 4.6 mn pounds at a value of \$2.1 mn in 1994. Exports of Red Kidney Beans, however, declined by 15.0% to 3.3 mn pounds at a value of \$2.8 mn. This decline was seen largely in the north east of the country where unusually low rainfall adversely affected the crop. Exports of peanuts declined to 88,900 pounds at a value of \$0.1 mn - a 39.2% decrease when compared to 1993. This fall was largely explained by a combination of drought conditions and low yields from inferior seeds.

Tourism

Based on estimates of total passenger arrivals of 277,816 as recorded by the Immigration Department, the Central Bank of Belize estimates bona-fide tourist arrivals for 1994 at 105,528 persons, an increase of 4.2% in tourist arrivals during the year. Total expenditure in Belize was

estimated at \$142.7 mn representing an increase of about 3.0% increase over total estimated expenditure of \$138.6 mn in 1993. Tourist from the United States continue to account for the bulk of arrivals, with Canadian and UK tourists second. It is notable, however, that the number of arrivals from Europe increased during the year.

The Belize Tourist Board reported that the number of hotels increased from 303 in 1993 to 336 in 1994. This has led to a 5.4% increase in the available hotel rooms and a 6.7% rise in the number of beds.

During the year, the Belize Tourist Board (BTB) intensified its international promotion of Belize as an eco-tourist destination. To this end, the Board introduced a country logo, of a Jaguar on top of the word BELIZE, which will be used in future promotional campaigns. In addition, a new representative office was opened in New York City, and consultants developed brochures and pamphlets as well as placed advertisements and press releases abroad. One of the objectives of the new market strategy was to advertise Belize as a summer destination especially for the months of May



through December. The BTB also represented Belize at various trade shows in Europe and in the

Americas, including the DIMA, an internationally famous dive show in the U.S.

	1992	1993R	1994P
ARRIVALS	89,997	101,283	105,528
Air	76,602	85,466	85,012
Land	8,282	9,618	11,043
Sea	5,113	6,199	9,473
HOTAL CAPACITY			
No. of Hotels	271	303	336
No. of Rooms	2,913	3,325	3,504
No. of Beds	4,991	5,475	5,842

Sources: Belize Tourist Board
Central Bank of Belize

P: Provisional

R: Revised

The BTB strengthened its ties with the Caribbean Tourism Organization (CTO) during the year. In addition to providing routine training of BTB staff, CTO facilitated technical support and training for a joint Visitor Expenditure, Motivational and Satisfaction (VEMS) Survey by the Tourist Board and the Central Bank of Belize. Two rounds of the VEMS surveys, each of two weeks duration, were carried out in May and September. Both rounds fall within the summer season. The surveys are intended to improve present expenditure estimates, which are currently based on winter surveys, and to inform future industry developments and policy.

Other developments during the year included the passage of a Tour Guide Act to regulate one of the fastest growing sectors of the economy. There were also several initiatives by the private sector aimed at increasing tourist arrivals during the low summer season. The first coconut festival in Caye Caulker and the second cashew festival in Crooked Tree Village were held in the slow summer season. The third annual San Pedro Sea and Air festival, which was introduced largely to increase arrivals in the summer season, was once again held on Ambergris

Caye. The festival involved participation from the five Mundo Maya countries, and was initiated primarily by the private sector, with cooperation from the Government.

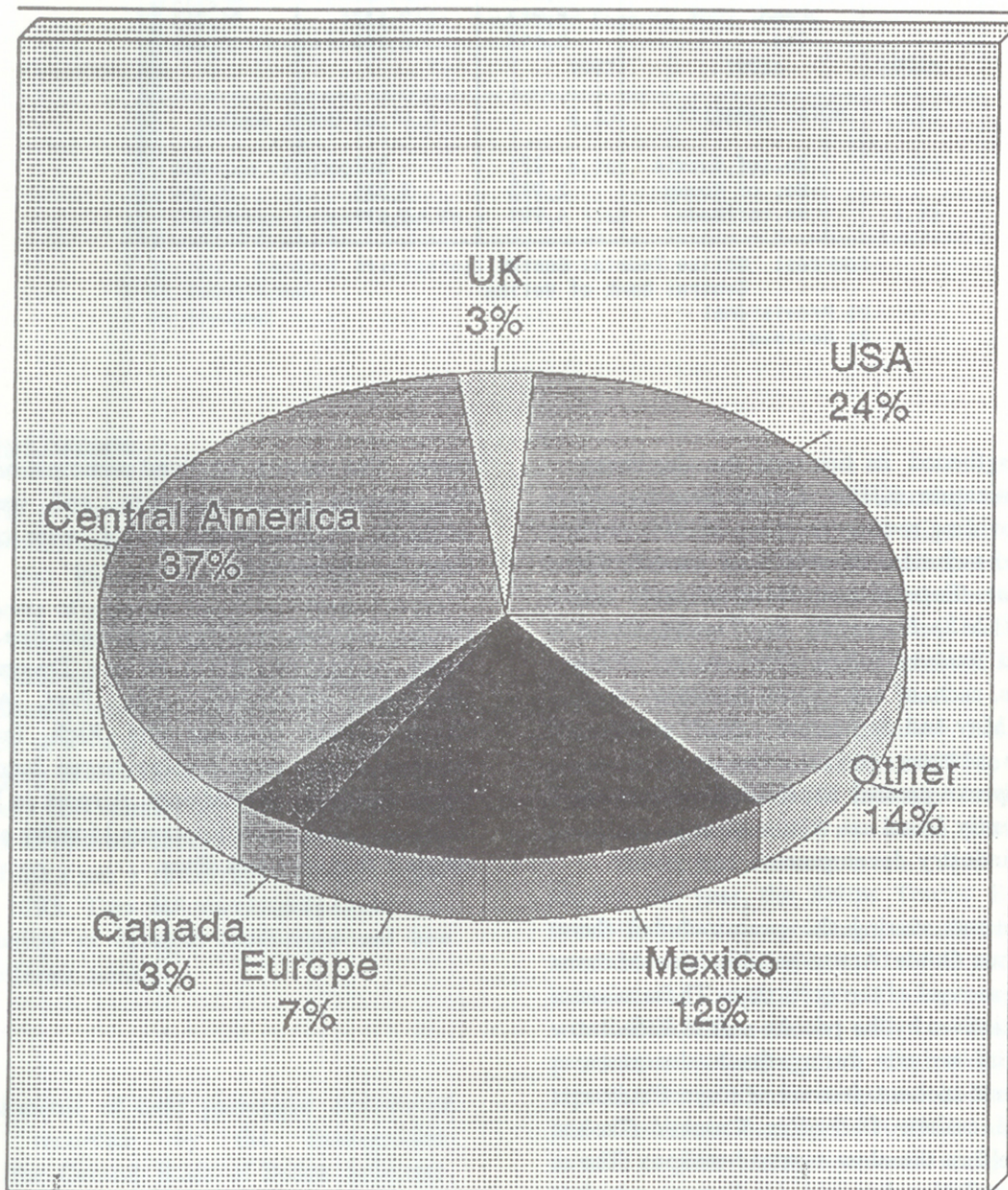
During the year, the Regency Cruise line, which had begun calling on Belize in late December 1993, established weekly calls to the Port. Also, a new charter flight operated by Rich International between Belize and Chicago began landing at the Philip Goldson International Airport in December. The flight calls on Belize every Monday after having stopped first in Costa Rica.



Chart A

VISITOR ARRIVALS

1994



Source : Immigration Department



Monetary and Financial Developments

Money and Credit

During 1994, money supply (M2) expanded by \$33.6 mn to \$507.2 mn following growth of \$4.4 mn in 1993 and \$40.0 mn in 1992. Quasi-money grew by \$25.6 mn reflecting increases of \$7.8 mn in savings deposits and \$17.8 mn in time deposits. M1 rose by \$8.0 mn as demand deposits increased by \$5.5 mn and currency with the public rose by \$2.5 mn. The increase in M2 resulted primarily from growth of

\$43.4 mn (9.1%) in net domestic credit of the banking system. Net foreign assets of the banking system declined by \$14.6 mn (35.5%), after falling by \$52.0 mn in 1993. Net official international reserves fell by \$7.4 mn (11.6%) compared to a 37.2% reduction in 1993. The deceleration in the rate of decline was due largely to the significant improvement in the visible trade balance.

Table 12: Monetary Aggregates of the Banking System

	Position as at			Change
				Dec 1993 to Dec 1994
	Dec 1992	Dec 1993	Dec 1994	
Net Foreign Assets	93.1	41.1	26.4	-14.7
Central Bank	101.4	63.7	56.2	-7.5
Commercial Bank	-8.3	-22.6	-29.8	-7.2
Net Domestic Credit	426.9	477.4	520.7	43.4
Central Government (Net)	34.5	66.2	90.5	24.4
Other Public Sector	11.6	21.0	21.6	0.6
Private Sector	380.8	390.2	408.6	18.4
Other Items (net)	50.8	44.9	40.0	-4.8
Money Supply M2	469.2	473.6	507.2	33.6

After declining marginally in 1993, total deposits rose by \$22.2 mn (5.0%) to \$471.0 mn in 1994. While private sector deposits increased by \$34.0 mn (8.8%), public sector deposits fell by \$11.8 mn (19.2%). The increase in private sector deposits was distributed as follows: \$7.5 mn in demand deposits, \$9.5 mn in savings deposits and \$16.9 mn in time deposits. This expansion largely reflected the growth in foreign currency earnings from commodity exports and the tourist industry. The latter is estimated to have risen by \$22.6 mn during

the year. Deposits by individuals, business enterprises and co-operatives rose by \$19.7 mn to \$293.4 mn, \$10.7 mn to \$85.5 mn and \$2.8 mn to \$10.3 mn, respectively. Deposits by private financial institutions and religious organisations, however, fell by \$0.1 mn to \$12.7 mn and \$1.1 mn to \$6.0 mn, respectively. These movements indicate that 90.0% of the deposits of the private sector were held by individuals and business enterprises and that deposits held by co-operatives and business enterprises were rising at the fastest rates.



Table 13: Money Supply

	Position as at			Change
	Dec 1992	Dec 1993	Dec 1994	Dec 1993 to Dec 1994
Money Supply (M2)	469.2	473.6	507.2	33.6
Money Supply (M1)	143.8	149.2	157.2	8.0
Currency with the Public	51.0	54.2	56.7	2.5
Demand Deposits	92.8	95.0	100.5	5.5
Quasi-Money	325.4	324.4	350.0	25.6
Savings Deposits	102.2	101.2	109.0	7.8
Time Deposits	223.2	223.2	241.0	17.8

The decline in public sector deposits is explained by the withdrawals of \$6.8 mn by Central Government, \$3.0 mn by the Belize Port Authority, \$1.3 mn by the Belize Social Security Board and \$0.7 mn by the Belize Marketing Board. Central Government used its deposits largely to fund capital expenditure, while the Belize Port Authority used its withdrawal to finance maintenance work on the Belize City Deepwater Port and the Commerce Bight Port. The Belize Social Security Board drew down on its deposits to invest in Belize Defence Force Bonds while the Belize Marketing Board used its withdrawals to assist in meeting its operating expenses.

Growth in net domestic credit of the banking system slowed for the third consecutive year. Net domestic credit rose by \$43.4 mn in 1994, as net credit to Central Government expanded by \$24.4 mn (36.7%), private sector credit increased by \$18.4 mn (4.7%) and credit to other public sector entities increased by \$0.6 mn (2.9%). Since 1992, there has been a 10.7% shift in net domestic credit away from the private sector to the public sector as the proportion of net domestic credit accounted for by the private sector has fallen from 89.2% to 78.5% while the same for the public sector has risen from 10.8% to 21.5%.

Eighty-six percent or \$20.9 mn of the increase in net credit to Central Government during 1994 was extended by commercial banks while the remaining

14.0% was extended by the Central Bank. Growth in credit from the commercial banks reflected the purchase of \$15.0 mn in Government of Belize Treasury Notes and the withdrawal of \$6.8 mn in deposits by Central Government which was only marginally offset by the reduction of \$0.9 mn in holdings of Treasury Bills. The Central Bank increased its credit to Government by increasing its Treasury Bill holdings by \$6.8 mn even as Government deposits at the Central Bank increased by \$2.9 mn. The portion of net credit to Government provided by the commercial banks increased from 29.4% at the end of 1993 to 44.6% at the end of 1994. Conversely, credit from the Central Bank fell from 70.6% of the total in 1993 to 55.4% in 1994.

In 1994, credit to other public sector entities increased by \$0.6 mn (2.9%) to \$21.6 mn after increasing by \$9.4 mn in 1993 and falling by \$16.9 mn in 1992. The marginal rise in 1994 was seen as a \$1.3 mn increase in credit from the commercial banks as credit from the Central Bank fell by \$0.7 mn. The latter reflected Central Government's repayments of the Reconstruction and Development Corporation Taiwan housing loan.

Credit to the private sector rose by \$18.4 mn to \$408.6 mn in 1994 after increasing by \$9.4 mn in 1993 and \$49.4 mn in 1992. The increase in credit in 1994 was seen largely in the construction and manufacturing sectors. Credit to the former



increased by \$9.9 mn, mainly for commercial buildings, while credit to the latter increased by \$7.2 mn, largely for citrus concentrate production. Although credit to the building and construction sector increased during 1994, economic activity in this sector declined by 11.3% as a result of the significant cut in Central Government's capital expenditure during the year. Personal loans rose by \$2.3 mn and loans and advances to the distribution and sugar sectors increased by \$1.9 mn and \$1.4 mn, respectively.

Despite the overall increase in credit during 1994, there were significant net repayments by the banana, citrus and commercial fishing industries. Because of the increases in export earnings, the banana industry was able to repay \$4.4 mn while the citrus industry repaid \$2.0 mn. Although the commercial fishing sector as a whole experienced a contraction in export earnings due to the fall in conch and farmed shrimp exports, the sector was still able to reduce its outstanding loans by \$2.0 mn because of the healthy increase in lobster tail exports. Net repayments were also made by the forestry, tourism and mining and exploration sectors.

During 1994, the net foreign assets of the banking system fell by \$14.7 mn (35.8%) to \$26.4 mn after decreasing by \$52.0 mn (55.9%) in 1993 and \$22.7 mn (19.6%) in 1992. The contraction in 1994 reflected decreases of \$7.5 mn (11.8%) in the net foreign position of the Central Bank and \$7.2 mn (31.9%) in those of the commercial banks. The deceleration in the rate of decline of the net foreign assets of the banking system was seen in the net foreign positions of both the Central Bank and the commercial banks. In 1993, the Central Bank's net foreign assets fell by \$37.7 mn (37.2%) while those of the commercial banks fell by \$14.3 mn (172.3%).

The \$7.2 mn reduction in the net foreign assets of the commercial banks during 1994 was largely the result of an \$8.3 mn (12.0%) increase in foreign liabilities as foreign assets rose by \$1.1 mn (2.4%) to \$47.5 mn. The increase in foreign liabilities reflected a doubling in foreign currency deposits of IBC and continued short term borrowings from

foreign affiliates, albeit at a lower rate than in 1993. The reduction in the rate of decline of the net foreign position of the commercial banks during 1994 relative to 1993 largely reflected a reduction in commercial banks' short term foreign borrowing to fund domestic credit. Commercial banks opted instead to fund additional lending to the private sector during 1994 by drawing down on foreign assets.

The net official international reserves declined by \$7.5 mn to \$56.2 mn in 1994, significantly less than the \$37.7 mn contraction experienced in 1993. The Central Bank's foreign assets fell by \$9.0 mn (14.0%) while foreign liabilities decreased by \$1.2 mn (8.8%). The decrease in the Central Bank's foreign asset holdings resulted primarily from an increase in sales of foreign exchange to Central Government to facilitate the servicing of its external debt which increased by 69.9% during 1994. The contraction in foreign liabilities represented repayments on the Taiwan Housing loan. The foreign asset holdings of Central Government rose by a marginal \$0.3 mn (2.2%) to \$13.8 mn. The reduction in the rate of decline in the net foreign position of the Central Bank during 1994 relative to 1993 largely reflected a reduction in the rate of Central Bank's financing of the fiscal deficit.

Interest Rates and Liquidity

During 1994, excess statutory liquidity rose by \$4.9 mn (45.4%) to \$15.7 mn. This increase followed growth of \$5.7 mn in 1993 and a decrease of \$6.9 mn in 1992. The rise in 1994 was seen primarily in the acquisition of \$12.4 mn in Government of Belize Treasury Notes, financed mainly with foreign currency borrowings from affiliates abroad. Excess liquidity in the banking system rose from \$16.3 mn in January to peak at \$23.8 mn in July. The latter half of the year saw a continuous decline to November when a low of \$9.5 mn was recorded. By the end of December, excess liquidity had risen to \$15.7 mn. Movement in liquidity over the year closely followed the pattern of inflow of foreign exchange from the major export industries.



At the end of March 1994, the Central Bank of Belize lowered the floor on deposit and lending rates of interest. In addition, the interest rate structure was simplified so as to increase the flexibility of the banking system in determining

interest rates. The new interest rate structure which came into effect at the close of business on March 25, 1994 resulted in a reduction in interest rate floors from six to three. The Central Bank's Lending Rate was also reduced from 12% to 11%.

Table 14: Commercial Bank Liquidity and Cash Reserves

	Position as at			Change
	Dec 1992	Dec 1993	Dec 1994	Dec 1993
				to
				Dec 1994
Holdings of Approved Liquid Assets	126.9	138.6	152.8	14.2
Vault Cash	7.4	7.6	9.9	2.3
Balances with Central Bank	34.6	36.1	35.9	-0.2
Money at Call and Foreign				
Balances (due within 90 days)	29.4	39.4	43.5	4.1
Treasury Bills maturing in				
not more than 90 days	50.6	51.8	46.4	-5.4
Treasury Notes	0.0	0.0	12.4	12.4
Other Approved assets	4.9	3.7	4.7	1.0
Required Liquid Assets	121.8	127.8	137.1	9.3
Excess/(Deficiency) Liquid Assets	5.1	10.8	15.7	4.9
Daily Average holdings of Cash				
Reserves	35.9	36.5	35.8	-0.7
Required Cash Reserves	31.6	32.0	34.3	2.3
Excess/(Deficiency) Cash Reserves	4.3	4.5	1.5	-3.0

In 1994, the weighted average interest rate spread of the commercial banks widened by 30 basis points to 8.9%. The weighted average lending rate rose by 40 basis points to 15.0% while the weighted average deposit rate rose by 10 basis points to 6.1%. The rise in the weighted average lending rate was largely the result of increases in interest rates on personal and commercial loans. The mortgage loan rate declined mirroring the slowdown in activity in the building and construction sector.

The increase in the weighted average deposit rate resulted from an increase of 40 basis points in the weighted average time deposit rate and a decrease of 10 basis points in the weighted average savings

deposit rate. The increase in the time deposit rate reflected the heightened level of competition that existed among commercial banks for the available deposits in the banking system as liquidity tightened during most of the year following Government and Belize Social Security Board's withdrawal of deposits in 1993 and 1994.

In December, the Central Bank announced changes in the liquidity and cash reserve requirements of the commercial banks, the disposition of Government deposits in the banking system and the structure of interest rates which would take effect at the beginning of 1995. The liquid asset requirement was reduced from 28% to 24% of average deposits



and the cash reserve requirement was reduced from 7% to 5% of average deposits. These ratios were reduced to offset the impact of the simultaneous withdrawal by Government of \$21.0mn in deposits. These two changes were expected to have a net

positive impact of approximately \$2.8 mn on liquidity. The floors on deposit and lending rates were removed to improve efficiency in interest rate determination and allocation of credit in the banking system.

Table 15: Comparative Interest Rates Set by the Central Bank of Belize

	March 1989	March 1994
Deposit Rates		
Ordinary Passbook Savings	5.0	4.5
Premium Savings or other special savings accounts	6.0	0
Fixed deposits for periods of up to three months	7.0	0
Fixed deposits for periods over three months and up to six months	8.0	0
Fixed deposits for periods over six months and up to one year	8.5	0
Time Deposits	—	6.5
Lending Rate		
Minimum Lending Rate	10.0	9.0
Central Bank's Lending Rate	12.0	11.0

Table 16: Commercial Banks Weighted Average Interest Rates (Percentages)

	Position as at			Change
	Dec 1992	Dec 1993	Dec 1994	Dec 1993
				to Dec 1994
Weighted Lending Rates				
Personal Loans	14.9	15.0	15.6	0.6
Commercial Loans	14.1	14.4	14.9	0.5
Mortgage Loans	14.0	14.0	13.6	-0.4
Other	15.7	16.2	17.1	0.9
Weighted Average	14.4	14.6	15.0	0.4
Weighted Deposit Rates				
Savings	5.4	5.4	5.3	-0.1
Time	8.1	8.3	8.7	0.4
Weighted Average	6.0	6.0	6.1	0.1
Weighted Average Spread	8.4	8.6	8.9	0.3



Central Government Operations and the Public Debt

Central Government Operations

Between January and December 1994, Central Government recorded a surplus of \$31.2mn on its current operations - 22.6% less than in 1993. As a result, the current surplus fell from 3.7% of GDP in 1993 to 3.3% in 1994. Total revenue and grants increased by \$1.1 mn (0.4%) to \$279.8mn and total expenditure decreased by \$27.3mn (7.8%) to \$320.5 mn resulting in an overall deficit of \$40.7 mn. At that level, the overall deficit was 41.1% below that of 1993 and fell from 6.3% of GDP in 1993 to 4.3% in 1994.

Current expenditure increased by 12.0% to \$233.8 mn as a result of increases in wages and salaries (\$13.3mn or 11.5%), subsidies and current transfers (\$5.6 mn or 30.4%), interest payments on the public debt (\$4.8 mn or 29.6%) and pensions (\$1.1 mn or 8.7%). Because of the sharp increase in current expenditure, the ratio of wages and salaries to current expenditure fell marginally from 55.6% in 1993 to 55.3% in 1994 despite the 11.5% increase in the wage bill. The increase in subsidies and current transfers to the private sector was essentially due to Government's free education policy. Interest payments on the public debt (domestic and external) reached \$21.0 mn, an increase of 29.6% over the last year, placing increasing demands on current revenue. The significant increase was attributable mainly to the doubling of interest payments on suppliers credit and the commencement of interest payments on the ICLE commercial loan.

Current revenue increased by \$16.0mn reflecting an increase of \$19.7 mn in tax revenue and a \$3.6 mn decrease in non-tax revenue. The 9.2% rise in tax revenue was largely explained by an increase of \$10.8mn in taxes on income and profits, reflecting improvements in tax administration and the new Gross Receipts Tax (GRT). Taxes on international trade grew by \$5.2mn. The 10.4% decrease in non-tax revenue reflected a 14.3% reduction in transfers from non-financial public enterprises, namely the

Airport Authority and the Port Authority. Property income declined by 5.7% reflecting a contraction in the sale of Crown Land.

Capital revenue fell sharply from \$27.9 mn in 1993 to less than \$6.8mn in 1994 as Central Government did not implement any further privatisation during the year. Capital expenditure dropped by a significant \$52.4 mn reflecting the reduction in Capital II (locally funded) expenditure from \$64.7 mn in 1993 to \$48.4 mn in 1994 and the 50.4% fall in Capital III (foreign funded) expenditure to \$35.1 mn. These reductions were consistent with Government's policy to cut the overall deficit by reducing capital outlays. The major capital projects that were underway during the year included: Belize City Infrastructure Project, Hummingbird Highway improvements, housing, the New Belize City Hospital, land development and acquisition and education.

Financing of the overall deficit of \$40.7 mn in 1994 came from both local and foreign sources. Financing from abroad amounted to \$27.1 mn as disbursements of \$51.6 mn outweighed principal repayments of \$24.2mn. In contrast to 1993 when domestic financing came largely from the Central Bank, domestic financing in 1994 came primarily from commercial banks as Government borrowed \$14.0 mn through the issue of securities, and withdrew another \$6.7 mn in deposits from the commercial banks. This contributed to a 10.7% shift in credit away from the private sector to the public sector since 1992. As a result, the weighted average interest rates of the commercial banks increased by 10 basis points over 1993, reflecting largely an increase of 40 basis points in time deposits interest rates. In 1994, the Central Government borrowed \$6.4 mn from the Central Bank (78.8% less than in 1993) and increased deposits with the Central Bank by \$2.5 mn. The Government's overdraft account with the Central Bank was reduced by \$0.4 mn to \$42.0 mn at the end of 1994.

Following the amendment of the Treasury Bill Act in late 1993, the stock of Treasury Bills was increased by \$5.0 mn to a new ceiling of \$70.0 mn



in February 1994. The first two issues of Treasury Notes were issued during the year. Treasury Note Issue Number 1 in an amount of \$5.0mn was issued on January 4, 1994. These 12-month 8% Notes were fully subscribed, largely by the commercial banks, and were redeemed on January 3, 1995. Treasury Note Issue Number 2 was issued on December 12, 1994 in an amount of \$10.0 mn. These Notes were issued for 12 months at 9% and were also largely subscribed by the commercial banks.

Following the passage of the Belize Defence Bonds Act in November of 1993 authorising the issue of up to \$25.0mn in Belize Defence Bonds, the first issue comprising \$5.0 mn was floated in September. These 15 year 9% bonds were fully taken up mostly by the Social Security Board which acted as buyer of last resort for the issue. The Social Security Board holdings of Belize Defence Bonds are to be traded on the secondary market.

Public Debt

At the end of 1994, the disbursed outstanding external public debt was \$360.7mn, an increase of \$25.0mn (7.4%) over the year which compares with the \$35.2 mn (11.7%) increase in 1993. This increase largely reflected net financing inflows (disbursements minus repayments of principal) of \$17.7mn and positive valuation adjustments of \$7.3 mn. The latter was caused primarily by an appreciation of the Pound Sterling. Net financing inflows fell by \$31.8 mn to \$17.7 mn following an increase of \$19.6 mn in 1993. The decline in net financing inflows was the result of a 60.4% increase in repayments and a 25.3% decline in disbursements. Net transfers fell by \$34.3 mn to \$4.2 mn as interest payments on the public debt rose by 23.2%.

	1992	1993R	1994P
Disbursements	47,963	69,782	52,162
Repayments	18,095	20,354	34,486
Net Financing Flows	29,868	49,428	17,676
Interest Payments	9,230	10,919	13,449
Net transfers	20,638	38,509	4,227

P: Provisional
R: Revised

Debt servicing rose by 53.3% to \$47.9 mn largely because of the more than two-fold increase in repayments on suppliers credit, the 65.8% increase in repayments on the UK/1989 loan, and the commencement of annual repayments of \$4.0mn on the ICLE commercial loan. Interest payments increased by 23.2% to \$13.4 mn because of a doubling of interest payments on suppliers credit and the commencement of interest payment on the ICLE commercial loan. Major disbursements during 1994 from bilateral and multilateral creditors included \$12.3 mn from the EEC and the Government of Spain for the new Belize City

Hospital, \$9.5 mn from the World Bank for the Belize City Infrastructure Project, \$6.5 mn under the UK/Belize 1989 loan for various projects and \$1.9 mn from the World Bank for the Primary Education Development Project. Disbursements from suppliers creditors to purchase mobile homes totalled \$2.8 mn.

Central Government's external debt increased from \$253.2mn at the end of 1993 to \$286.4mn at the end of 1994. The 13.1% increase reflected the \$28.4 mn in net financing inflows to fund Government's investment programme. There was also a positive



valuation adjustment of \$5.8 mn. The disbursed outstanding debt for the rest of the public sector declined as the outstanding debt of the non-financial public sector fell by \$4.2 mn while that of the financial public sector declined by \$4.0 mn. There were marginal changes to the portfolio of the disbursed outstanding external public debt during

the year. The share of debt held by multi-lateral creditors rose by 2.2 percentage points following net financing inflows of \$12.5 mn largely for the Belize City Infrastructure Project and the New Belize City Hospital. The share of suppliers credit, bilateral and commercial credit remained largely unchanged.

	Disbursed Outstanding Debt	Transactions during 1994				Disbursed Outstanding Debt
		Disbursements	Repayments		Valuation Adjustments	
	Dec. 1993R*		Principal	Interest		Dec. 1994P*
Bilateral	132,384	14,780	9,295	2,581	3,021	140,890
Multilateral	124,176	24,054	11,601	6,003	4,646	141,275
Commercial Banks	35,710	0	4,164	1,557	0	31,546
Suppliers' Credit	43,459	13,328	9,426	3,308	(344)	47,017
Grand Total	335,729	52,162	34,486	13,449	7,323	360,728

P: Provisional

R: Revised

*: includes valuation adjustments



Foreign Trade and Payments

During 1994, Belize's balance of payments recorded an overall deficit of US\$3.7 mn compared with the deficit of US\$18.9 mn recorded in 1993 and the surplus of US\$1.4 mn in 1992. The current account deficit, at US\$24.5 mn, was a significant

improvement over the deficit of US\$49.0 mn recorded in 1993. On the other hand, the capital account deteriorated by US\$25.3 mn to US\$18.0 mn.

Table 19: Balance of Payments 1992 - 1994

	US\$m		
	1992	1993R	1994P
A. CURRENT ACCOUNT	-29.1	-49.0	-24.5
i) Merchandise Trade	-104.3	-116.6	-86.7
Exports (f.o.b.)	140.2	134.1	143.5
Imports (f.o.b.)	244.5	250.6	230.2
ii) Services (net)	44.9	38.2	33.5
Travel	45.3	48.8	52.8
Investment Income	-15.0	-18.6	-20.1
Other	14.6	8.0	0.8
iii) Transfers (net)	30.3	29.4	28.7
Official	12.8	13.9	14.2
Private	17.6	15.5	14.5
B. CAPITAL ACCOUNT	29.1	43.3	18.0
i) Long Term Capital Flows (net)	31.0	38.5	21.6
Official	12.3	23.0	7.0
Private	18.7	15.5	14.5
ii) Short Term Capital Flows (net)	-1.9	4.8	-3.5
C. NET ERRORS AND OMISSIONS	1.4	-13.2	2.8
D. CHANGE IN RESERVES (minus = increase)	-1.4	18.9	3.7
Memo Items			
Current Account/GDP (%)	-7.0	-10.9	-5.3
Import Cover (months)	2.7	1.7	1.4

P: Provisional
R: Revised



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R: Revised



The Current Account

The current account deficit declined over the year by 50.0% to US\$24.5 mn largely reflecting a US\$29.9 mn reduction in the trade deficit which was partly offset by a US\$4.7 mn reduction in net inflows on the services and income accounts. Net transfers declined by US\$0.7 mn.

Visible Trade

The value of total exports increased by US\$9.5 mn during 1994 mainly as a result of a US\$5.9 mn increase in re-exports, largely to the USA. Domestic exports increased from US\$117.0 mn to US\$119.6 mn. Imports (f.o.b.) fell by US\$20.4 mn with the most significant reductions recorded in manufactured goods, chemicals, machinery and equipment, and crude materials. This trend was consistent with the slowdown in construction activity recorded during the year.

Services

The services account recorded net inflows of US\$33.5 mn which was US\$4.7 mn less than the net inflows recorded during 1993. Tourism receipts rose by US\$2.1 mn to US\$71.3 mn due to a 4.2% increase in tourist arrivals. On the other hand, expenditure by Belizeans travelling abroad declined from US\$20.5 mn in 1993 to US\$18.6 mn.

Investment income recorded a deficit of US\$20.1 mn as compared to the US\$18.6 mn deficit recorded in 1993. Interest payments on external debt by both the public and private sectors increased. Public sector debt servicing increased by US\$1.3 mn while private sector debt servicing rose by US\$2.3 mn. The latter largely reflected an increase in coverage rather than a rise in transactions. Interest income earned by the public sector increased from US\$1.7 mn to US\$2.0 mn while that earned by the private sector rose by a marginal US \$0.1 mn.

The fall in imports resulted in a US\$2.6 mn reduction in payments for merchandise, freight and insurance. There was also a reduction in port revenues of US\$0.5 mn which, coupled with lower

payments for bunker fuel, offset an increase in airport dues resulting in a marginal fall in receipts for other transportation.

Net receipts for other goods and services declined by US\$8.1 mn because of a reduction of US\$7.7 mn (28.8 %) in net official inflows following the withdrawal of the British troops. Net transfers declined by US\$0.7 mn reflecting marginal reductions in net transfers from both the public and private sectors.

The Capital Account

Belize's capital account recorded a net surplus of US\$18.0 mn in 1994 as compared to a 1993 surplus of US\$38.9 mn largely reflecting a fall in official long term capital flows. Net official flows declined considerably from a surplus of US\$23.0 mn in 1993 to a surplus of US\$7.0 mn as the rate of increase in loan disbursements to Government outstripped the rate of increase in repayments by Government. Long term private sector inflows declined by US\$1.0 mn.

Short term capital recorded net outflows of US\$ 3.5 mn compared to net inflows of US\$4.8 mn in 1993 as commercial banks reduced short term borrowing and the rest of the private sector increased repayments on external debt. Other short term capital flows recorded net outflows of US\$5.4 mn compared to net inflows of US\$2.3 mn in 1993.

Official International Reserves

Net official international reserves declined by US\$3.7 mn to US\$28.1 mn reflecting a US\$3.9 mn deterioration in the net foreign position of the Central Bank. A decrease of US\$4.5 mn in the Bank's foreign assets was partially offset by a decline of US\$0.6 mn in the Bank's foreign liabilities. Government's deposits abroad rose by US\$0.2 mn to US\$6.9 mn. The import coverage of reserves stood at 1.3 months, as compared with 1.4 months and 2.7 months at the end of 1993 and 1992, respectively.



Table 20: Net Official International Reserves			
	US\$'000		
	1992	1993R	1994P
Gross Foreign Exchange Reserves	59,517	38,641	34,332
Central Bank of Belize	52,963	31,890	27,414
Holdings of SDR's	1,611	406	554
Reserve Position in the IMF	2,610	4,103	4,279
Other Central Bank of Belize	48,742	27,382	22,582
Central Government	6,554	6,751	6,918
Gross Foreign Liabilities	8,731	6,808	6,207
Caribbean Development Bank	310	2	5
CARICOM	(57)	102	218
Other	8,478	6,704	5,985
Net Official International Reserves	50,786	31,834	28,125

P: Provisional

R: Revised



Economic Prospects

GDP is expected to grow by 2.0% to 2.5% in 1995. As the industrial countries continue to emerge from recession, tourist arrivals are expected to rise with a positive impact on tourism and tourism-related activities. Citrus earnings are expected to reach \$37.7 mn, a 24.0% increase from that realised in 1994. This is as a result of a projected 6.7% increase in production and the shift towards higher valued single strength orange juice which will be somewhat offset by an expected 7.8% decline in the world price for citrus concentrate. Citrus concentrate prices are expected to average \$14.69 per gallon during 1995 as compared with \$15.94 in 1994.

After the decline which is expected in the 1994/95 crop year, sugar production is expected to reach 110,000 long tons in the 1995/96 crop year, the largest annual production ever recorded. A small increase of some 2,000 long tons in the USA preferential quota will somewhat offset an expected marginal decline in world market prices. All indications are that banana production in 1995 will exceed the production level of 1994 as the industry continues to benefit from improvements in production efficiency. Belize received an increase of 15,000 metric tons in its EEC quota in 1994 which will result in an estimated increase in foreign exchange earnings of 14.2% to \$36.3 mn.

Exports of marine products are expected to increase as the operational problems experienced in shrimp farm production in 1994 are overcome and the industry returns to its path of growth in exports and earnings. Export earnings for 1995 will be augmented by receipts for late shipments in 1994.

Government's fiscal performance should continue to improve for the second consecutive year as the Government intensifies its medium term strategy of deficit reduction which includes wage and employment freezes, reduction in expenditure on goods and services and the re-introduction of the Economic Citizenship program. These initiatives should ease the need for domestic financing of the fiscal deficit, and, if successful, will have a positive

effect on the country's official international reserves.



OPERATIONS AND ADMINISTRATION

Foreign Exchange Operations

The Central Bank purchases and sells foreign currencies to authorised dealers and Central Government on a daily basis. Transactions occur primarily in the following currencies:-

- a) The US Dollar
- b) The Pound Sterling
- c) The Canadian Dollar
- d) CARICOM Member countries currencies

During 1994, the Bank's trading in US dollars, Canadian dollars and the Pound Sterling resulted in a net sale of \$11.4 mn, \$23.3 mn below the level of net sales in 1993. There were net sales of CARICOM currencies of \$2.3 mn as compared to \$5.1 mn in 1993. Trading in CARICOM currencies was largely in Barbados and Eastern Caribbean dollars.

Table 21: Central Bank Dealings in Foreign Exchange, 1994

\$'000						
Trading in US Dollars, Canadian Dollars and Pound Sterling				Trading in CARICOM Currencies		
Month	Purchases	Sales	Net Purchases/ (Sales)	Purchases	Sales	Net Purchases/ (Sales)
January	5,360	11,670	(6,310)	10	381	(371)
February	5,278	6,562	(1,284)	1	54	(53)
March	9,407	9,262	145	7	204	(197)
April	7,765	7,204	561	4	134	(130)
May	21,209	10,803	10,406	18	238	(220)
June	13,439	9,226	4,213	16	231	(215)
July	9,233	11,059	(1,826)	28	225	(197)
August	10,470	11,107	(637)	7	196	(189)
September	15,409	21,812	(6,403)	6	138	(132)
October	6,702	24,985	(18,283)	27	302	(275)
November	12,543	9,051	3,492	4	83	(79)
December	24,075	19,508	(4,567)	2	220	(218)
TOTAL	140,890	152,249	(11,359)	130	2,406	(2,276)

Currency in Circulation

At the end of December 1994, currency in circulation stood at \$66.3 mn, \$4.8 mn higher than the position at the end of December 1993. Notes in circulation increased by \$4.0 mn while total coins in circulation increased by \$0.8 mn. Currency

in circulation displayed the usual seasonal pattern, peaking in July and December. Commercial banks' vault cash increased by \$2.3 mn bringing currency with the public to \$56.7 mn, an increase of \$2.6 mn.



Table 22: Currency in Circulation, 1994

\$'000					
Month	Notes	Coins	Total	Com. Bank Vault Cash	Currency with Public
January	53,768	5,352	59,120	6,264	52,816
February	55,992	5,359	61,351	6,848	54,503
March	58,162	5,381	63,543	7,456	56,087
April	57,446	5,409	62,855	4,648	58,207
May	57,800	5,440	63,240	7,926	55,314
June	57,712	5,471	63,183	7,365	55,818
July	59,322	5,595	64,917	6,427	58,467
August	57,930	5,743	63,673	8,734	54,939
September	56,811	5,839	62,650	5,809	56,841
October	56,416	5,875	62,291	6,925	55,366
November	56,237	6,010	62,247	7,862	54,385
December	60,018	6,249	66,267	9,527	56,740

Cash Balances

Since October 1992, the commercial banks' cash reserve requirement has been set at 7% of their average deposit liabilities. During 1994, the average

cash balances fluctuated between 7.8% and 7.1%. Effective January 3, 1995 the cash reserve requirement will be reduced to 5%.

Table 23: Commercials Banks Balances with Central Bank
Monthly Averages of Daily Balances, 1994

\$'000				
Month	Average Deposit Liabilities	Minimum Required Balance	Balances Actually Held	Excess/(Deficiency)
January	461,211	32,285	37,463	5,178
February	459,231	32,146	32,764	618
March	464,309	32,502	32,764	1,847
April	478,906	33,523	35,277	1,754
May	487,452	34,122	35,770	1,648
June	494,108	34,588	38,732	4,144
July	492,319	34,462	35,656	1,194
August	498,705	34,909	36,080	1,171
September	493,912	34,574	35,462	888
October	489,326	34,253	34,680	427
November	489,234	34,246	35,170	924
December	489,740	34,282	35,797	1,515

External Assets Ratio

Section 25(2) of the Central Bank of Belize Act, 1982 requires the Bank to maintain, at all times, a reserve of external assets of not less than 40% of the aggregate amount of notes and coins in circulation and the Bank liabilities in respect of its sight and time deposits. The Bank maintained the

legal requirement of 40% throughout the year. The ratio peaked in August at 63.4% and bottomed out in October at 41.1%.

During 1994, the external assets of the Bank consisted of foreign notes and coins, deposits with



foreign central banks and correspondents abroad, documents/instruments used for the making of payments or transfers in international transactions,

securities of foreign governments and international financial institutions, and Special Drawing Rights in the International Monetary Fund.

Month	1988	1989	1990	1991	1992	1993	1994
January	91.2	96.1	105.9	102.2	95.1	94.6	52.6
February	90.9	104.0	107.5	107.2	93.2	99.4	48.3
March	98.6	108.4	111.2	110.6	104.7	95.4	49.3
April	103.3	111.3	104.7	108.2	104.9	102.7	48.3
May	95.4	108.5	108.7	106.2	105.0	103.0	55.1
June	101.5	110.6	110.7	105.0	107.3	109.0	61.9
July	105.0	111.9	110.0	114.8	109.2	61.2	58.7
August	92.3	111.2	111.8	115.7	109.5	68.5	63.4
September	101.3	111.1	113.0	115.4	108.5	61.6	54.7
October	98.7	107.6	114.1	101.9	101.2	56.6	41.1
November	94.5	102.3	111.1	106.4	86.0	67.2	43.7
December	93.9	96.4	108.3	93.2	94.5	55.8	52.7
Average	97.2	106.6	109.8	107.2	101.6	81.2	52.5

P: Provisional

Month	Assets (a) \$'000	Liabilities (b) \$'000	Ratio %
January	59,276	112,742	52.58
February	57,384	118,724	48.33
March	57,609	116,781	49.33
April	58,048	120,123	48.32
May	68,716	124,795	55.06
June	72,748	117,525	61.90
July	70,828	120,577	58.74
August	70,184	110,734	63.38
September	62,386	114,078	54.69
October	45,380	110,295	41.14
November	49,695	113,715	43.70
December ^P	54,509	103,346	52.74

Securities Market

Since its inception, the Central Bank has managed the trading of Government of Belize Treasury Bills on both the primary and secondary markets. In recent times, the Central Bank has played a pivotal role in the broadening and further development of the securities market. It has mediated the issue of shares and debentures in the privatisation of public

assets and has encouraged the trading of these shares and debentures on the secondary market. During 1994, the Central Bank, as fiscal agent for the Government of Belize, was responsible for the sale of Treasury Notes and the Belize Defence Bonds. The Bank also maintains a Register of bond holders and is responsible for the payment of



interest. There were two issues of Treasury Notes totalling \$15.0 mn and one of Defence Bonds totalling \$5.0mn. The Bank also has responsibility for the sale of Government's shares in BTL and BEL. BEL's shares were sold as a package which included a mix of shares and debentures. In its capacity as fiscal agent for BEL, the Bank is also responsible for maintaining the Register of share holders and debenture holders and the payment of interest and dividends.

The Central Bank may hold Government of Belize securities up to a maximum of five times the Bank's paid-up capital and reserves. By the end of 1994, the Central Bank's holdings of Government securities had reached \$25,943,000. This was 1.5 times the Bank's paid-up capital and reserves.

Transactions with Central Government

Under the Central Bank of Belize Act, 1992 Section 34 as amended in 1993, the Bank may extend advances to Central Government up to a maximum of 20% of current revenue collected during the preceding financial year or a sum of \$50 mn, whichever is the greater. During 1994, 20% of the preceding year's current revenue amounted to \$49,180,000. Advances to Central Government reached a high of \$49.2mn during November 1994 but was reduced to \$40.3mn by the end of the year.

Month	Treasury Bills	Other Securities	Advances to Government	a	b
January	9,007	4,670	47,837	0.77	19.45
February	20,887	4,670	44,141	1.44	17.95
March	23,797	4,670	45,464	1.60	18.49
April	23,661	4,670	46,359	1.59	17.03
May	15,746	4,670	48,548	1.15	17.83
June	9,197	4,670	44,113	0.78	16.20
July	13,303	4,670	45,633	1.01	16.76
August	4,755	4,670	46,111	0.53	16.94
September	14,940	4,670	46,169	1.10	16.96
October	28,435	4,670	48,041	1.86	17.65
November	25,068	4,670	49,235	1.67	18.08
December	21,267	4,676	40,282	1.40	14.80

a) Central Bank holdings of Government Treasury Bills and other GOB Securities as a multiple of Central Bank's paid up capital and reserves.

b) Advances to Government as a percentage of Government's estimated recurrent revenue for fiscal years 1993/94 and 1994/95.
 Estimated recurrent revenue November 1993/March 1994 = \$245,900
 Estimated recurrent revenue April 1994/March 1995 = \$272,259



Treasury Bill Operations

Treasury Bill Operations are handled by the Central Bank on behalf of the Government of Belize. Even though public participation is encouraged, the Treasury Bill market is still dominated by the commercial banks and purchases by individuals remain insignificant. The bidding process, introduced in 1992, was continued in order to determine yield on Treasury Bill issues. The commercial banks continued to bid competitively and, as a result, Treasury Bill yields declined steadily from a high of 4.5% in January to a low of 4.2% in December.

In November 1993, an amendment was made to the Treasury Bill Act, chapter 65 of the Laws of Belize, to increase the amount of Treasury Bills outstanding to \$70.0mn and to provide for the issue of Treasury Notes up to a maximum of \$25.0mn. During the year under review, two one-year issues of Treasury Notes were floated. The first issue of \$5.0mn was made on January 4, 1994 and the second issue of \$10.0mn on December 12, 1994. On December 31, 1994, the total outstanding Treasury Bills was at the maximum of \$70.0mn.

Table 27: Government of Belize Treasury Bill Issues, 1994

Issue #	Tender (\$000)	Allotment (\$000)	Average Discount Rate %	Average Yield to Maturity (%)
1/1994	15,400	15,400	4.0	4.5
2/1994	13,150	13,150	4.35	4.40
3/1994	5,841	5,842	4.35	4.40
4/1994	35,608	35,608	4.30	4.35
5/1994	15,400	15,400	4.30	4.35
6/1994	13,150	13,150	4.33	4.35
7/1994	5,842	5,842	4.30	4.35
8/1994	35,608	35,608	4.21	4.25
9/1994	22,600	15,400	4.21	4.25
10/1994	20,000	13,150	4.21	4.25
11/1994	5,842	5,842	4.21	4.25
12/1994	40,908	35,608	4.16	4.2
13/1994	15,400	15,400	4.16	4.2
14/1994	13,150	13,150	4.16	4.2
15/1994	7,842	7,842	4.16	4.2
16/1994	35,608	35,608	4.16	4.2

Financial Services Supervision Department

During 1994, the Banking Supervision Department was reorganised and renamed the Financial Services Supervision Department (FSSD) in light of the need to broaden the supervision of areas of the financial services industry which had not previously received much attention and the imminent development of new financial services.

In 1994, the FSSD completed a draft Bill for a new Financial Institutions Act which is now under review by Government for enactment early in 1995. The proposed legislation will cover banks, finance companies, trust companies, investment banks and other financial institutions giving the Central Bank responsibility for maintaining an effective



supervisory and regulatory regime so as to promote and maintain safety and soundness and confidence in the financial system.

As part of its continuing oversight activities, the FSSD completed three on-site inspections of commercial banks during 1994. These examinations focused on safety and soundness issues such as capital adequacy, asset quality, management, earnings and liquidity. The adequacy of internal controls and compliance with our banking law were also examined. In addition, a review of a money lending institution was conducted for the first time in accordance with the Money Lenders Act.

The FSSD continues to monitor credit concentrations in the banking system on a regular basis through a review of applications for extensions of large credits to single or group borrowers. The Banking Act requires banks to obtain permission prior to granting credit facilities to single or group borrowers that exceed 25% of a bank's capital. During 1994, 27 applications were processed for which credit facilities approved amounted to \$115.4 mn compared to 38 applications in 1993. The reduction in the number of applications reflects a streamlined system for monitoring credit concentrations in the banking system which was introduced in the latter part of 1992.

Offshore Banking

Government and the private sector have embarked on a programme to foster the development of Belize as an offshore jurisdiction offering a broad range of financial services. Existing offshore legislation will be improved and new laws allowing for offshore banking and other services are expected to be introduced in the near future. The FSSD is closely involved in these activities.

Internal Audit Unit

At its meeting of March 4, 1994, the Board of Directors approved the establishment of an Audit Committee comprising two Directors and, the General Manager. The Internal Auditor serves as Secretary of the Audit Committee.

Administration

On April 1, 1994 the Governor resumed his duties at the Bank after seven months Duty Leave during which he acted as Financial Secretary in the Ministry of Finance. The total number of persons employed by the Bank was 124 at the end of 1994 as compared to 123 in 1993.

Human Resources Department

At its November 1994 meeting, the Board of Directors approved the establishment of a Human Resources Department to become operational on 3rd January 1995. Consequently, the management of the Central Bank's human resources will be ameliorated and the personnel administration function will be expanded to include areas designed to increase the quality of work-life, productivity, personnel satisfaction and personnel development.

Overseas Meetings

Some of the meetings attended by the Governor in 1994 were the Annual Meeting of the Board of Governors of the Inter-American Development Bank (IDB) in Guadalajara, Mexico in April; the Annual Meeting of Governors of Central Banks of the American Continent, Latin America and Spain in Washington, D.C. in May; CARICOM Central Bank Governors Meeting in Kingston, Jamaica in May and in Trinidad in November; the Bank of England Governors Meeting in London and Bank for International Settlement's Annual General Meeting in Basle, Switzerland in June; the LIX Meeting of Governors of Central Banks of Latin America and Spain and the Annual Meetings of the IMF and World Bank in Madrid in September/October; and the Miami Conference on Trade and Finance (Summit of the Americas) in December.

Staff Training

During 1994, overseas training for staff members included Banking Supervision in Trinidad at the FDIC in Washington DC; the Commonwealth Central Banking course in England; Management of



Central Bank International Reserves in Cartagena, Columbia; a CEMLA/IDB seminar on Domestic Debt in Latin America and the Caribbean in Port-of-Spain, Trinidad; Financial Programming and Policy at the IMF Institute; Economics of Central Banking in Curacao; Management Information Systems in Florida and Human Resource Management in New York.

Local training was also sponsored by the Bank for staff members in relevant areas connected to their job functions. These areas included supervisory management, information technology, secretarial skills, presentation skills, human resource management and customer relations.

In addition three members of staff were on study leave. One was pursuing a first degree in Economics while two were pursuing graduate studies in Economics and Business Administration respectively.

Management Information Systems (MIS)

In 1994, the MIS Advisory Committee, recognising the need for the development of an Information Systems (IS) Plan to guide the future development of computerisation of information systems, appointed a Planning Team comprised of senior officers from the user departments and the MIS Unit. This Plan, which was well under way by the end of the year, will address both applications or information systems (applications architecture) and the information technology (technology architecture).

During the year, the following were added to the MISU's Unix system: Financial Services Supervision Department, the Administration Department, the Library and the Project Administration Units. Electronic mail was made available, through the University College of Belize, to all users on the Unix systems. The SCO Xenix system at the Research Department was upgraded to SCO Unix. As a result, the CS-DRMS application residing on this server was also Upgraded to the SCO Unix version 6.0 which is also

the latest version released by the Commonwealth Secretariat.

An Assets Inventory system was developed to track movements in the value of the Bank's assets, process monthly depreciation, and manage annual insurance needs.

Work commenced on the development of a front-end Advice Voucher System (AVS) system to augment the Accounts Maintenance System. The AVS will automate and centralise the generation of debit and credit advices, allow users to generate their own accounting transactions and provide, on-line, current and future committed account balances.



STATISTICAL APPENDIX



Table 1: Net Foreign Asset of the Banking System

\$mn

	Position as at			Change
	Dec 1992	Dec 1993	Dec 1994	Dec 1993 to Dec 1994
Net Foreign Assets of Banking System	93.1	41.1	26.4	-14.7
Net Foreign Assets of Central Bank	101.4	63.7	56.2	-7.5
Central Bank Foreign Assets	105.9	63.8	54.8	-9.0
Government of Belize Foreign Assets	13.1	13.5	13.8	0.3
Central Bank Foreign Liabilities	17.6	13.6	12.4	-1.2
Net Foreign Assets of Commercial Banks	-8.3	-22.6	-29.8	-7.2
Commercial Bank Foreign Assets	23.3	46.4	47.5	1.1
Commercial Bank Foreign Liabilities	31.6	69.0	77.3	8.3

Table 2: Net Domestic Credit of the Banking System

\$mn

	Position as at			Change
	Dec 1992	Dec 1993	Dec 1994	1993 to Dec 1994
Total Credit to Central Government	92.1	110.5	131.0	20.5
From Central Bank	31.4	61.6	68.0	6.4
Loans and Advances	23.8	42.4	42.0	-0.4
Gov't Securities	7.6	19.2	26.0	6.8
From Commercial Banks	60.7	48.9	63.0	14.1
Loans and Advances	0.0	0	0.0	0.0
Gov't Securities	60.7	48.9	63.0	14.1
Less Central Government Deposits	57.6	44.3	40.5	-3.9
With Central Bank	26.4	14.9	17.9	2.9
With Commercial Banks	31.2	29.4	22.6	-6.8
Net Credit to Central Government	34.5	66.2	90.5	24.4
Plus Credit to Other Public Sector	11.6	21.0	21.6	0.6
From Central Bank	10.0	8.5	7.8	-0.7
From Commercial Banks	1.6	12.5	13.8	1.3
Plus Credit to the Private Sector	380.8	390.2	408.6	18.4
Net Domestic Credit of the Banking System	426.9	477.4	520.7	43.4



Table 3: Sectoral Composition of Commercial Banks' Loans and Advances

\$mn

	Position as at			Change
	Dec 1992	Dec 1993	Dec 1994	Dec 1993
				to Dec 1994
PRIMARY SECTOR	61.3	67.9	58.7	-9.2
Agriculture	55.1	60.3	54.1	-6.2
Sugar	12.0	11.6	13.0	1.4
Citrus	22.5	25.5	23.5	-2.0
Bananas	14.2	17.0	12.6	-4.4
Other	6.4	6.2	5.0	-1.2
Commercial Fishing	3.6	4.4	2.4	-2.0
Forestry	1.5	1.8	1.1	-0.7
Mining & Exploration	1.1	1.4	1.1	-0.3
SECONDARY SECTOR	111.1	113.6	130.0	16.4
Manufacturing	27.6	30.2	37.4	7.2
Building & Construction	81.8	82.7	92.6	9.9
Public Utilities	1.7	0.7	0.0	-0.7
TERTIARY SECTOR	134.3	146.4	155.3	8.9
Transport	12.5	14.5	14.5	0.0
Tourism	21.7	21.4	20.7	-0.7
Distribution	78.1	83.3	85.2	1.9
Other*	22.0	27.2	34.9	7.7
Personal Loans	66.5	59.3	61.6	2.3
TOTAL	373.2	387.2	405.6	18.4

* Includes government services, real estate, financial institutions, professional services, and entertainment.



**Table 4: External Public Debt
Borrower and Creditor Categories**

\$'000

	Disbursed Outstanding Debt	Transactions During 1994				Disbursed Outstanding Debt 31/12/94P*
		Disbursements	Repayments of		Valuation Adjustments	
			Amortization	Interest		
	31/12/93R*					
CENTRAL GOVERNMENT	253,209	51,604	24,207	9,400	5,754	286,360
Caribbean Development Bank	17,552	3,812	305	495	94	21,153
European Economic Community	15,172	6,658	221	111	1,933	23,542
Int'l Bank for Reconstruction Dev.	27,798	12,624	3,161	2,241	1,019	38,280
Int'l Fund for Agricultural Dev.	2,780	402	403	120	198	2,977
Gov't of United Kingdom	45,637	6,544	4,595	27	2,657	50,243
Gov't of Trinidad and Tobago	88	0	4	2	(1)	83
Gov't of United States of America	46,541	0	548	965	0	45,993
Suppliers Credit	40,169	13,328	8,284	2,993	(511)	44,702
OPEC Fund for International Dev.	2,300	0	200	118	0	2,100
Instituto Nazionale di Credito	31,710	0	3,964	1,332	0	27,746
Government of China	827	0	0	0	0	827
Export/Import Bank of Taiwan	7,063	0	676	350	0	6,387
Fondo de Inversiones de Venezuela	6,975	2,471	125	71	0	9,321
Export/Import Bank of USA	8,597	0	1,721	487	0	6,876
Government of Spain	0	5,765	0	88	365	6,130
REST OF NON-FINANCIAL PUBLIC SECTOR	40,792	146	5,388	2,178	1,057	36,607
Caribbean Development Bank	20,436	0	2,132	705	(223)	18,081
Intl. Bank for Reconstruction Dev.	12,204	146	1,304	844	998	12,044
Commonwealth Development Corporation	2,049		434	176	115	1,730
Export/Import Bank of Taiwan	2,813		376	138	0	2,437
Suppliers Credit	3,290	0	1,142	315	167	2,315
FINANCIAL PUBLIC SECTOR	41,728	412	4,891	1,871	512	37,761
Caribbean Development Bank	16,976	412	2,016	829	48	15,420
European Economic Community	4,706		663	176	355	4,398
Commonwealth Development Corporation	2,203		762	188	109	1,550
Paine Webber Real Estate Securities Inc.	4,000		200	225	0	3,800
Gov't of United States of America	5,718		0	57	0	5,718
Export/Import Bank of Taiwan	8,125		1,250	396	0	6,875
TOTAL	335,729	52,162	34,486	13,449	7,323	360,728

R: Revised

P: Provisional

*: Includes valuation adjustments



Table 5: GOVERNMENT OF BELIZE: Revenue and Expenditure

	Out-turn			\$' 000		
	Apr. 1991 To Mar. 1992	Apr. 1992 To Mar. 1993	Apr. 1993 To Mar. 1994	Estimated Budget 1994/95	Jan-Dec 1994P	Jan-Dec 1993R
TOTAL REVENUE & GRANTS (1+2+3)	252,471	281,440	264,994	308,820	279,819	278,705
1). Current revenue	218,416	245,791	249,940	272,921	265,069	249,041
Tax revenue	184,814	207,208	219,282	242,351	234,107	214,427
Income and profits	46,074	60,086	60,192	69,950	68,753	58,049
Taxes on property	1,218	2,711	1,218	2,200	1,478	1,468
Taxes on goods and services	20,699	20,994	29,442	30,701	30,067	27,616
Int'l trade and transactions	112,891	117,607	123,270	134,000	127,344	122,092
Other	3,931	5,809	5,160	5,500	6,466	5,202
Non-Tax Revenue	33,603	38,584	30,658	30,569	30,962	34,613
Property income	1,785	2,441	1,404	1,000	3,638	3,845
Contributions to pension fund	280	392	281	274	320	290
Transfers from NFPE's	4,021	3,378	1,421	1,850	1,569	1,792
Extrabudgetary revenue	2,866	1,573	2,012	2,862	2,762	1,606
Other	24,651	30,800	25,541	24,583	22,672	27,080
2). Capital revenue	32,728	34,890	8,101	2,547	6,797	27,924
3). Grants	1,327	758	6,953	33,352	7,953	1,741
TOTAL EXPENDITURE (1+2)	289,213	343,262	335,370	429,135	320,534	347,767
1). Current Expenditure	155,113	190,432	219,241	241,906	233,835	208,706
Wages and Salaries	83,462	104,619	120,534	134,089	129,446	116,056
Pensions	9,661	11,438	12,650	14,295	13,779	12,739
Goods and Services	34,522	43,990	45,039	46,285	45,639	45,290
Interest Payments on Public Debt	8,923	11,052	20,826	21,714	20,951	16,191
Subsidies & current transfers	18,545	19,333	20,192	25,523	24,019	18,430
2). Capital Expenditure	134,100	152,830	116,129	187,229	86,700	139,061
Capital II (local sources)	83,233	85,779	62,069	46,295	48,436	64,702
Capital III (foreign sources)	41,357	60,372	51,566	136,837	35,091	70,819
Capital Transfer	9,510	6,679	2,494	4,097	3,173	3,540
CURRENT BALANCE	63,303	55,359	30,699	31,015	31,234	40,335
OVERALL BALANCE	(36,742)	(61,822)	(70,375)	(120,315)	(40,715)	(69,062)
FINANCING	36,742	61,822	70,375	120,315	40,715	69,062
Domestic Financing	2,704	26,523	47,711	41,994	24,535	32,263
Central Bank	5,610	48,197	27,521		3,855	41,895
Net Borrowing	3,309	45,260	22,114		6,396	30,141
Change in Deposits	2,301	2,937	5,407		(2,541)	11,754
Commercial Banks	9,539	(22,018)	20,028		20,726	(9,962)
Net Borrowing	8,449	(8,471)	(2,416)		14,020	(11,823)
Change in Deposits	1,090	(13,547)	22,444		6,706	1,861
Other Domestic Financing	(12,445)	344	162		(46)	330
Financing Abroad	38,890	43,431	30,262	78,321	27,064	46,317
Disbursements	43,824	51,289	46,726	103,484	51,604	57,003
Amortization	(5,885)	(7,620)	(14,761)	(25,564)	(24,207)	(10,434)
Sinking Fund & JCF	951	(238)	(1,703)	401	(333)	(252)
Other	(4,852)	(8,132)	(7,598)		(10,884)	(9,518)

Sources: Ministry Of Finance
Central Bank of Belize

P: Provisional

R: Revised



Table 6: Balance of Payments, 1992 - 1994
Non Factor & Factor Service

US\$mn

	1992			1993R			1994P		
	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net
CURRENT ACCOUNT	324.8	354.0	-29.1	324.0	373.0	-49.0	326.8	351.3	-24.5
VISIBLE TRADE	140.2	244.5	-104.3	134.0	250.6	-116.5	143.5	230.2	-86.7
INVISIBLE TRADE	149.3	104.5	44.9	156.3	118.0	38.3	149.4	116.0	33.5
FACTOR INCOME	6.5	23.1	-16.6	6.0	25.9	-19.9	6.6	28.4	-21.9
Labour Income	3.4	4.7	-1.3	3.4	4.7	-1.2	3.7	5.3	-1.6
Property Income	0.0	0.3	-0.3	0.1	0.1	-0.0	0.0	0.2	-0.2
Investment Income	3.1	18.1	-15.0	2.5	21.0	-18.6	2.9	22.9	-20.1
NON FACTOR INCOME	142.8	81.3	61.5	150.2	92.2	58.1	142.9	87.6	55.3
Shipment	0.0	30.2	-30.2	0.0	30.9	-30.9	0.0	28.4	-28.4
Other Transport	13.8	9.9	4.0	12.3	10.8	1.5	11.4	11.0	0.3
Travel	59.7	14.3	45.3	69.3	20.5	48.8	71.4	18.6	52.7
Other Goods & Serv	69.3	27.0	42.3	68.7	30.0	38.7	60.1	29.5	30.6
Official N.I.E.	34.7	10.6	24.1	35.2	8.5	26.7	24.9	5.9	19.0
Private N.I.E.	34.6	16.3	18.3	33.5	21.5	12.0	35.2	23.6	11.6
TOTAL GOODS & SERVICES AND INCOME	289.5	348.9	-59.4	290.3	368.6	-78.3	292.9	346.2	-53.3
TRANSFERS	35.3	5.0	30.3	33.8	4.4	29.4	33.9	5.2	28.7
OFFICIAL	14.3	1.5	12.7	15.3	1.5	13.8	15.4	1.2	14.2
PRIVATE	21.1	3.5	17.6	18.5	2.9	15.5	18.4	3.9	14.5
CAPITAL ACCOUNT (EXCLUDING RESERVES)	61.1	33.0	29.1	82.9	39.6	43.3	60.7	42.7	18.0
Long Term Capital	48.6	17.6	31.0	55.5	17.0	38.5	49.9	28.4	21.5
Official	24.5	12.2	12.3	34.9	11.9	23.0	26.1	19.1	7.0
Private	24.1	5.4	18.7	20.6	5.1	15.5	23.9	9.3	14.5
Direct Investment	17.8	2.2	15.6	13.6	2.1	11.5	12.0	3.4	8.6
Other	6.3	3.2	3.0	7.0	3.0	4.0	11.9	5.9	6.0
Short Term Capital	13.5	15.4	-1.9	27.4	22.6	4.8	10.7	14.2	-3.5
Commercial Banks change in foreign reserves	12.7	0.0	12.7	18.7	11.6	7.2	4.1	0.6	3.6
Portfolio	0.2	0.0	0.2	7.0	0.0	7.0	6.1	0.0	6.1
Other	0.6	15.4	-14.8	1.7	11.0	-9.3	0.5	13.7	-13.2
Errors & Omissions			1.4			-13.2			2.8
Change in Reserves	1.3	2.7	-1.4	21.2	2.3	18.9	4.5	0.8	3.7

P: Provisional
R: Revised



Table 7: Gross Imports (c.i.f.) by SITC Categories 1992 - 1994

US\$mn

	1992	1993	1994 Jan-Sept
Food & Live Animals	49.0	41.1	28.8
Beverages & Tobacco	4.4	6.9	5.0
Crude Materials	1.4	2.8	1.7
Fuels & Lubricants	30.7	31.2	23.4
Animal & Vegetable Oil	0.4	1.5	1.3
Chemicals	16.4	32.1	20.3
Manufactured Goods	37.0	56.4	40.4
Machinery & Equipment	45.8	73.1	47.3
Misc. Manufactured Goods	21.9	34.8	24.3
Commodities N.I.E	1.4	0.1	0.0
TOTAL	208.4	279.9	192.6

Source: Central Statistical Office

**Table 8: Direction of Trade (c.i.f.)
1992 - 1994**

(percentages)

	Gross Exports			Gross Imports		
	1992	1993	1994 Jan-Sept	1992	1993	1994 Jan-Sept
USA	51.9	44.7	56.9	56.5	56.6	52.0
UK	27.3	36.4	7.0	8.5	7.0	11.5
OTHER EEC	4.9	3.7	-	6.8	4.5	-
CANADA	3.0	6.9	-	1.9	9.6	-
MEXICO	3.3	2.7	30.6	8.8	3.9	9.9
CARICOM	5.7	4.7	0.7	6.8	4.3	4.6
OTHER	3.9	0.9	4.8	10.7	14.1	22.0
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0

Source: Central Statistical office



INDEPENDENT AUDITORS' REPORT
TO THE BOARD OF DIRECTORS

CENTRAL BANK OF BELIZE

INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1994 AND 1993

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MARCH 1, 1995



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

We have audited the accompanying balance sheets of Central Bank of Belize as at December 31, 1994 and 1993 and the related statements of operations and cash flows for the years then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with International Standards on Auditing. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Central Bank of Belize as of December 31, 1994 and 1993 and the results of its operations and cash flows for the years then ended in conformity with International Accounting Standards.

Deloitte & Touche

March 3, 1995

CENTRAL BANK OF BELIZE


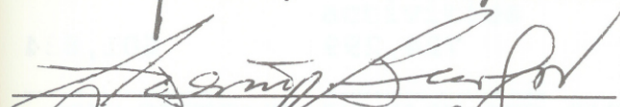
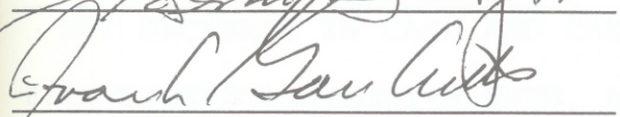
BALANCE SHEETS

<u>ASSETS</u>	<u>NOTES</u>	<u>December 31,</u>	
		<u>1994</u>	<u>1993</u>
APPROVED EXTERNAL ASSETS	4b		
Balances and deposits with foreign bankers and Crown Agents		\$ 12,130,204	\$ 12,779,982
Reserve Tranche and balances with the International Monetary Fund	5	9,534,120	8,733,072
Marketable securities issued or guaranteed by foreign governments and international financial institutions		14,294,155	26,267,237
Other foreign credit instruments		17,823,636	17,377,122
Accrued interest and cash intransit		727,076	452,522
Total approved external assets		<u>54,509,191</u>	<u>65,609,935</u>
 BELIZE GOVERNMENT SECURITIES	6	25,943,390	19,137,859
BELIZE GOVERNMENT CURRENT ACCOUNT	7	40,282,244	39,987,140
LOANS TO THE PUBLIC SECTOR	8	8,124,225	8,500,000
LOANS TO LICENSED FINANCIAL INSTITUTIONS	9	3,000,000	3,516,845
 BALANCES WITH LOCAL BANKERS AND CASH ON HAND		175,682	72,037
OTHER ASSETS	10	3,553,630	3,122,206
PROPERTY AND EQUIPMENT	11	3,046,624	3,208,404
 TOTAL ASSETS		<u>\$138,634,986</u> =====	<u>\$143,154,426</u> =====

CENTRAL BANK OF BELIZE

BALANCE SHEETS (Continued)

<u>LIABILITIES, CAPITAL AND RESERVES</u>	<u>NOTES</u>	<u>December 31,</u>	
		<u>1994</u>	<u>1993</u>
DEMAND LIABILITIES			
Notes and coins in circulation		\$ 66,267,628	\$ 61,481,608
Deposits by licensed financial institutions	12	27,329,697	36,325,128
Deposits by and balances due to Government and Public Sector Entities in Belize		4,645,852	4,479,938
Deposits by international agencies	13	5,103,102	5,285,262
		<u>103,346,279</u>	<u>107,571,936</u>
BALANCES DUE TO CARICOM CENTRAL BANKS		434,817	203,322
OTHER LIABILITIES		539,410	369,203
COMMERCIAL BANK DISCOUNT FUND	14	2,794,857	3,693,542
BELIZE CREDIT FACILITY	15	573,474	412,486
LOANS PAYABLE TO FOREIGN INSTITUTIONS	16	6,875,000	8,125,000
CONSTRUCTION BONDS	17	5,000,000	5,000,000
Total liabilities		<u>119,563,837</u>	<u>125,375,489</u>
REVALUATION ACCOUNT	19	567,913	-
CAPITAL ACCOUNT			
Paid up capital (Authorized capital \$10,000,000)		10,000,000	10,000,000
GENERAL RESERVE FUND	18	8,503,236	7,778,937
TOTAL LIABILITIES, CAPITAL AND RESERVES		<u>\$138,634,986</u> =====	<u>\$143,154,426</u> =====


 _____) GOVERNOR

 _____) DIRECTOR

 _____) GENERAL MANAGER

See notes to financial statements.

CENTRAL BANK OF BELIZE

STATEMENTS OF OPERATIONS

INCOME	<u>NOTES</u>	For the years ended December 31,	
		<u>1994</u>	<u>1993</u>
Interest			
Approved external assets		\$ 1,537,721	\$1,612,811
Advances to Government		5,075,965	4,094,780
Securities		1,570,835	2,449,900
Loans to financial institutions		98,470	168,952
Loans to statutory boards		474,009	513,452
		8,757,000	8,839,895
Discount			
Foreign securities		55,498	161,879
Local securities		727,364	354,978
		782,862	516,857
Realized gains from appreciation in market value of securities	2c	-	89,908
Commissions and other income		1,316,902	1,385,967
Total income		10,856,764	10,832,627
LESS:			
Interest expense		978,747	1,252,167
Income from operations		9,878,017	9,580,460
EXPENDITURE			
Printing of notes and minting of coins	2f	606,942	666,678
Salaries and wages, including superannuation contributions and gratuities		3,327,682	2,949,331
Depreciation and amortization		446,245	569,999
Administrative and general		1,875,655	2,309,102
Total expenditure		6,256,524	6,495,110
NET PROFIT		3,621,493	3,085,350
Transfer to Revaluation Account in accordance with Section 49 of the Act	2c, 19	-	76,181
Transfer to General Reserve Fund in accordance with Section 9 (1) of the Act	18	724,299	601,834
Balance credited to the Accountant General for the Consolidated Revenue Fund		\$ 2,897,194	\$ 2,407,335
		=====	=====

See notes to financial statements.

CENTRAL BANK OF BELIZE

STATEMENTS OF CASH FLOWS

For the years ended
December 31,

	<u>1994</u>	<u>1993</u>
OPERATING ACTIVITIES:		
Net profit	\$3,621,493	\$ 3,085,350
Adjustments to reconcile net profit to net cash provided by (used in) operating activities - Depreciation/amortization	446,245	569,999
- Gain on sale of gold	-	(65,350)
- Loss on disposal of fixed assets	33,446	86,286
Changes in assets and liabilities that provided (used) cash:		
Reserve Tranche and balances with the International Monetary Fund	(801,048)	(366,472)
Loans to licensed financial institutions	516,845	2,483,155
Other assets	(431,424)	631,005
Other liabilities	170,207	(182,288)
Revaluation of International Monetary Fund balances	554,643	(20,544)
	<hr/>	<hr/>
Net cash provided by operating activities	4,110,407	6,221,141
	<hr/>	<hr/>
INVESTING ACTIVITIES:		
Belize Government current account	(3,198,298)	(20,445,153)
Receipts from loans to public sector	375,775	1,062,500
Acquisition of property and equipment	(317,912)	(104,435)
Sale of gold	-	472,900
Preference shares redeemed	-	6,000,000
	<hr/>	<hr/>
Net cash used in investing activities	(3,140,435)	(13,014,188)
	<hr/>	<hr/>
FINANCING ACTIVITIES:		
Notes and coins in circulation	4,786,020	4,675,199
Deposit by licensed financial institutions	(8,995,431)	(9,255,417)
Deposits by and balances due to Government and Public Sector entities	165,914	(8,354,282)
Deposits by international agencies	(182,160)	(2,047,612)
Balances due to Caricom Central Banks	231,495	317,006
Commercial Bank Discount Fund	(898,685)	(838,126)
Belize Credit Facility	160,988	412,486
Loans payable to foreign institutions	(1,250,000)	(2,539,595)
Revaluation Account	13,270	(55,637)
	<hr/>	<hr/>
Net cash used in financing activities	(5,968,589)	(17,685,978)
	<hr/>	<hr/>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,998,617)	(24,479,025)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	71,416,760	95,895,785
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$66,418,143</u>	<u>\$71,416,760</u>
	=====	=====

CENTRAL BANK OF BELIZE

STATEMENTS OF CASH FLOWS (Continued)

For the years ended
December 31,
1994 1993

CASH AND CASH EQUIVALENTS COMPRISE THE FOLLOWING:

EXTERNAL ASSETS:

Balances and deposits with foreign bankers and Crown Agents	\$12,130,204	\$12,779,982
Marketable securities issued or guaranteed by foreign governments and international financial institutions	14,294,155	26,267,237
Other foreign credit instruments	17,823,636	17,377,122
Accrued interest and cash intransit	727,076	452,522
	<u>44,975,071</u>	<u>56,876,863</u>

LOCAL ASSETS:

Cash and bank balances	175,682	72,037
Government of Belize Treasury Bills	21,267,390	14,467,860
	<u>\$66,418,143</u>	<u>\$71,416,760</u>
	=====	=====

See notes to financial statements.

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1994 AND 1993

1. ORGANIZATION

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

The principal activity of the Bank is to foster monetary stability especially in regards to stability of the exchange rate and to promote banking, credit and exchange conditions conducive to the growth of the economy of Belize.

2. SUMMARY OF ACCOUNTING POLICIES

The Bank's financial statements are presented in Belize dollars using the accrual basis of accounting.

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 and the Central Bank of Belize Act:

a. Property and equipment, depreciation and amortization -

Fixed assets are carried at cost, and are depreciated on the straight line basis over their estimated useful lives. Land is not depreciated.

Depreciation rates are as follows:

Office furniture	20%
Equipment	20%
Vehicles	25%

Improvements to the Treasury Building are amortized over the remaining period of intended use. (See note 11).

b. Sale of special coins -

Special coins, minted or packaged as collector items are legal tender. However, no liability is recorded under notes and coins since they are not expected to be placed in circulation as currency. Minting cost is charged against income in the year incurred. Income is recognized when sales are made.

c. Foreign currency translation and exchange gains and losses -

i. Assets and Liabilities

Foreign currency balances at year end are translated at the rates of exchange ruling at year end.

ii. Income and Expenses

Income and expenses in foreign currencies are translated at the rate of exchange ruling on the transaction date.

iii. Revaluations

Section 49 of the Act stipulates that gains or losses from any revaluation of the Bank's net assets or liabilities in gold, special drawing rights (SDR), foreign exchange or foreign securities as a result of any change in the par value of the Belize dollar or 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 gains or losses shall be carried in a special account called Revaluation Account.

d. Valuation of securities -

Securities are stated at lower of cost or 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.

e. Accrued interest and cash intransit -

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

f. Printing and minting expenses -

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

g. Pension -

The Pension Scheme, a defined benefit plan, is funded by contributions from the Bank and employees. It is financially separate from the Bank and is managed by a Board of Trustees.

h. Taxation -

In accordance with Article 51 of the Act, the Bank is exempt from the provisions of any law relating to income tax or customs duties and from the payment of stamp duty.

3. INTEREST ON CENTRAL BANK BUILDING CONSTRUCTION BONDS

Interest is payable semi-annually on the Bank's 9% Construction Bonds. The portion of the interest on the amount spent on the building project during construction is capitalized. Otherwise interest is charged against the annual income of the Bank. (See note 17).

4. CENTRAL BANK OF BELIZE ACT SECTION 25

a. The Bank shall at all times hold assets of an amount in value sufficient to cover fully the value of the total amount of its notes and coins for the time being in circulation.

b. 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, 1994 total approved external assets approximated 53 percent (1993 - 61 percent) of such liabilities.

5. INTERNATIONAL MONETARY FUND - RESERVE TRANCHE

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 Bank from the Government of Belize.

At December 31, 1994 and 1993, the country's subscription to the International Monetary Fund amounted to SDR 13,500,000, and the Bank's Reserve Tranche amounted to SDR 2,892,600. The Reserve Tranche which earns interest is included in Approved External Assets in the financial statements at the rate of BZ\$2.92 to SDR 1.0 at December 31, 1994 (1993 BZ\$2.75 to SDR 1.0).

6. BELIZE GOVERNMENT SECURITIES

Belize Government securities consist of:

	<u>1994</u>	<u>1993</u>
Treasury bills	\$21,267,390	\$14,467,859
Debentures	4,670,000	4,670,000
Treasury note	6,000	-
	<u>\$25,943,390</u>	<u>\$19,137,859</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 five times the aggregate amount at that time of the paid up capital and general reserves of the Bank. At December 31, 1994 the Bank's aggregate holding of Belize Government Securities approximated 1.40 times (1993 - 1.08 times) the amount of paid up capital and general reserves of the Bank.

7. BELIZE GOVERNMENT CURRENT ACCOUNT

In accordance with Section 34 of the Act, the Bank may make direct advances to the Government provided that at any one time the total outstanding amount of direct advances shall not exceed twenty percent of the current revenues of the Government collected during the preceding financial year or the sum of fifty million dollars, whichever is greater. At December 31, 1994 advances to Government represent approximately 81 percent (80 percent 1993) of the authorized limit.

8. LOANS TO THE PUBLIC SECTOR

	<u>1994</u>	<u>1993</u>
Loans to the public sector comprise the following loans to Reconstruction and Development Corporation to finance housing construction. (See note 16).		
5% p.a. loan due in 16 consecutive semi-annual payments commencing July 10, 1993	\$ 437,500	\$ 468,750
5% p.a. loan due in 16 consecutive semi-annual payments commencing July 10, 1993.	2,187,500	2,343,750
6% p.a. loan due in 16 consecutive semi-annual payments commencing December 22, 1992	5,499,225	5,687,500
	<u>\$8,124,225</u>	<u>\$8,500,000</u>
	=====	=====

These loans are guaranteed by the Government of Belize.

9. LOANS TO LICENSED FINANCIAL INSTITUTIONS

	<u>1994</u>	<u>1993</u>
11% loan to a licensed financial institution due January 13, 1995 secured by hypothecation of Government of Belize securities.	\$3,000,000	\$ -
12% loan to a licensed financial institution due March 30, 1994 secured by assignment of debt.	-	3,516,845
	<u>\$3,000,000</u>	<u>\$3,516,845</u>
	=====	=====

10. OTHER ASSETS

At December 31 other assets are made up as follows:

	<u>1994</u>	<u>1993</u>
Prepaid printing and minting of notes and coins (See note 2 f)	\$1,968,546	\$1,973,117
Prepayments and accrued interest	290,075	166,879
Receivables	1,050,525	849,643
Other	244,484	132,567
	<u>\$3,553,630</u>	<u>\$3,122,206</u>
	=====	=====

11. PROPERTY AND EQUIPMENT

	<u>1994</u>	<u>1993</u>
Property and equipment consist of:		
Land	\$2,040,400	\$2,040,400
Properties and improvements	711,321	615,468
Improvements to Treasury Building	180,352	179,292
Furniture	162,748	129,725
Equipment	2,543,246	2,404,594
Vehicles	302,100	302,100
	<u>5,940,167</u>	<u>5,671,579</u>
Less accumulated depreciation/amortization	(2,893,543)	(2,463,175)
	<u>\$3,046,624</u>	<u>\$3,208,404</u>
	=====	=====

The Bank, except for its Research, Financial Services Supervision and Administration Departments, is housed in the Treasury Building provided rent free by the Government.

12. DEPOSITS BY LICENSED FINANCIAL INSTITUTIONS

Licensed financial institutions under the provisions of Section 16 of the Banking Act 1976 are required to keep on deposit with the Bank an amount equivalent to at least 7% of their average liabilities. These deposits are interest free.

13. DEPOSITS BY INTERNATIONAL AGENCIES

The Bank acts as agent for and accepts deposits from international financial institutions. At December 31 deposits consisted of:

	<u>1994</u>	<u>1993</u>
Commission of the European Communities	\$2,126,300	\$3,195,659
International Monetary Fund	98,592	98,732
Caribbean Development Bank	8,726	2,770
International Bank for Reconstruction and Development	2,869,484	1,988,101
	<u>\$5,103,102</u>	<u>\$5,285,262</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 Government of Belize and the United States of America, providing for a discount fund to be operated through the Bank. The United States Government acting through United States Agency for International Development (USAID) had earmarked US\$5 million in loan funds up to June 30, 1987, to finance this facility. The facility enables commercial banks in Belize to discount with the Bank up to 100% of loans made to sub-borrowers for projects approved by the Bank and USAID. In 1993 USAID and the Bank with mutual consent agreed that BZ\$2 million from the reflows to the Discount Fund could be used as a line of credit facility to National Development Foundation of Belize (the Foundation).

14. COMMERCIAL BANK DISCOUNT FUND (CONTINUED)

The USAID loan has the following terms:

Interest rate 2% for the first ten years and 3% thereafter. The loan is to be repaid within 25 years with a grace period of 9 1/2 years and 31 equal semi-annual principal payments for 15 1/2 years.

At December 31, 1994, outstanding loans discounted by commercial banks through the facility amounted to BZ\$1.6 million (1993 - BZ\$1.8 million) net of repayments against a total drawdown of BZ\$5.7 million (1993 - BZ\$5.7 million) from USAID. On that date the amount drawn down by the Foundation was BZ\$2,000,000 (1993 - BZ\$1 million).

15. BELIZE CREDIT FACILITY

Under the World Bank Agricultural Credit and Export Development Project Loan Agreement signed between the Government of Belize and the International Bank for Reconstruction and Development on July 19, 1988, the Bank acting as the agent for the Government of Belize assists the Government in operating the Belize Credit Facility through which loans are made available to the Development Finance Corporation and other financial intermediaries for specific development projects.

The Bank's responsibility to assist the borrower is set out in an agreement signed between the Government and the Bank on March 13, 1989.

16. LOANS PAYABLE TO FOREIGN INSTITUTIONS

Loans payable to foreign institutions consist of:

	<u>1994</u>	<u>1993</u>
Due to a foreign financial institution repayable in 16 equal semi-annual installments commencing December 22, 1992; interest at 5% per annum. The loan was negotiated for US\$5,000,000 for on-lending to Reconstruction and Development Corporation to finance housing construction and is secured by a promissory note from the Bank. (See note 8).	\$6,875,000 =====	\$8,125,000 =====

17. CONSTRUCTION BONDS

	<u>1994</u>	<u>1993</u>
BZ\$5,000,000 construction bonds maturing on September 30, 1997 secured by a guarantee from the Belize Government. Interest at 9% per annum is payable semi-annually.	\$5,000,000 =====	\$5,000,000 =====

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.

	<u>December 31,</u>	
	<u>1994</u>	<u>1993</u>
Balance at beginning of year	\$7,778,937	\$7,177,103
Transfer from profits for the year	724,299	601,834
Balance at end of year	<u>\$8,503,236</u> =====	<u>\$7,778,937</u> =====

19. REVALUATION ACCOUNT

Under Section 9 of the Act no profits shall be credited to the General Reserve Fund or paid to the Consolidated Revenue Fund 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.

	<u>December 31,</u>	
	<u>1994</u>	<u>1993</u>
Balance at beginning of year	\$ -	\$ -
Gains (losses) on revaluation during the year	567,913	(76,181)
Transfer from net profit for the year	-	76,181
Balance transferred to General Reserve Fund	-	-
Balance at end of year	<u>\$567,913</u> =====	<u>\$ -</u> =====

See note 2c. iii

20. PENSION SCHEME

The Pension Scheme, a defined benefit plan, receives contributions from the Bank and its eligible employees. During the year under review the Bank contributed Bz\$258,811 to the Scheme. The Scheme is financially separate from the Bank and is managed by a Board of Trustees. The cost of plan benefits is determined using an accrued benefit valuation method.

Significant actuarial assumptions used in the valuation were:

- i. Over the long term new and existing assets of the scheme will secure a rate of return on investments of 7% p.a. net of all investment expenses.
- ii. Members' pensionable salaries will increase by 5% p.a. as a result of general inflationary conditions, in addition to modest increases, in recognition of increasing experience and responsibility.
- iii. No allowance for pensions, in course of payment, to be increased.

20. PENSION SCHEME (CONTINUED)

The last actuarial valuation was as at December 31, 1993.

That valuation reported the present value of the promised retirement benefits and the cost of the plan's assets as at December 31, 1993 to be approximately BZ\$993,000 and BZ\$900,000, respectively. The fair market value of plan assets is not readily available. An actuarial valuation is conducted every two to three years.

21. COMMITMENTS AND CONTINGENT LIABILITIES

The Bank is contingently liable to an international banking institution as guarantor of a facility made available to a privatized public utility company, Belize Telecommunications Limited. At December 31, 1994, the principal outstanding under the facility was US\$2,182,000 (1993 - US\$3,636,000). 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, 1994 and 1993 the amount pledged amounted to US\$1,500,000. The Bank is fully indemnified by the borrower against any losses.

Outstanding letters of credit not reflected in the accompanying financial statements amount to BZ\$5,106,641 at December 31, 1994 (1993 - BZ\$6,188,422).

CENTRAL BANK OF BELIZE

Thirteenth Annual Report and Accounts 1994

Central Bank of Belize
P.O. Box 852
Belize City, Belize
Central America

Tel: (501) 2 77216 Telefax: (501) 2 76383

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