

CENTRAL BANK OF BELIZE



Fourteenth Annual Report and Accounts



1995

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FOURTH ANNUAL REPORT AND ACCOUNTS 1997

Abbreviations:

• ACP	African Caribbean and Pacific
• BEL	Belize Electricity Limited
• BFIA	Banks and Financial Institutions Act 1995
• BSI	Belize Sugar Industries Limited
• BTB	Belize Tourist Board
• BTL	Belize Telecommunications Limited
• CARICOM	Caribbean Community and Common Market
• CET	Common External Tariff
• ECU	European Currency Unit
• EU	European Union
• GATT	General Agreement on Tariffs and Trade
• GDP	Gross Domestic Product
• IBC	International Business Company
• NAFTA	North American Free Trade Agreement
• PETROJAM	Petrojam Belize Limited
• US, USA	United States of America
• UK	United Kingdom
• VAT	Value Added Tax

Conventions:

\$ refers to the Belize dollar unless otherwise stated.

mn = million

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



CENTRAL BANK OF BELIZE

Keith A. Arnold
Governor

P.O. BOX 852
BELIZE CITY, BELIZE

April 30, 1996

The Rt. Hon. Manuel Esquivel
Prime Minister and Minister of
Finance & Economic Development
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, 1995, together with a copy of the Bank's Statement of Accounts, as certified by the External Auditors.

I am
Yours faithfully,

Keith Arnold
Governor



DIRECTORS AND PRINCIPAL OFFICERS at December 31, 1995

BOARD OF DIRECTORS:

KEITH ARNOLD
Chairman

CARLA BARNETT Ph.D.
Vice Chairman

JAIME ALPUCHE
Financial Secretary

ARSENIO BURGOS

ANWAR FLORES

JOY GRANT

MANUEL SOSA

PRINCIPAL OFFICERS:

KEITH ARNOLD
Governor

CARLA BARNETT Ph.D.
Deputy Governor

FRANK GARBUTT
General Manager

YVETTE ALVAREZ
Senior Manager, Research Department

MANUEL VASQUEZ
Senior Manager, Financial Sector Supervision Department

CECILE REYES
Manager, Administration Department/Bank Secretary

DWAIN DAVIS
Manager, Finance Department

CAROL HYDE
Manager, Human Resources Department

MARILYN PERERA
Acting Manager, Banking & Currency Department



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Table 1: Economic Indicators

	1991	1992	1993	1994	1995 ^P
POPULATION (Thousands)	189.4	199.0	205.0	211.0	216.0
PER CAPITA GDP (BZ\$, Current Prices)	3,743	4,129	4,398	4,435	4,718
GDP AT CURRENT MARKET PRICES (BZ \$mn)	727.3	823.7	901.5	927.0	986.0
Real GDP Growth (%)	3.1	9.5	4.3	1.5	3.8
Sectoral Distribution of Constant (1984) GDP (%)					
Agriculture, Forestry & Fishing	18.7	19.6	18.8	19.1	19.6
Mining	0.9	0.8	0.8	0.7	0.7
Manufacturing	16.7	16.4	16.4	16.9	17.0
Utilities	1.9	1.9	2.0	2.1	2.1
Construction	7.4	7.6	8.3	6.5	6.3
Trade, Restaurant & Hotels	18.3	17.8	17.9	18.1	17.9
Transport and Communication	13.3	14.4	14.6	14.6	14.7
Finance, Insurance, Real Estate & Business Services	9.3	9.1	9.0	5.0	5.1
Public Administration	8.8	8.3	8.2	8.4	8.1
Other Services	7.5	7.0	6.9	7.0	6.9
Less Imputed Bank Charges	3.4	3.4	3.4	3.4	3.4
MONEY AND PRICES (BZ \$mn)					
Inflation (Annual percentage rate)	4.5	2.4	1.5	2.6	2.9
Currency and Demand deposits (M1)	122.8	143.8	149.2	157.2	165.0
Quasi-Money (Savings and Time deposits)	306.4	325.4	324.4	350.0	424.4
Money Supply (M2)	429.2	469.2	473.6	507.2	589.4
CREDIT (BZ \$mn)					
Commercial Bank Loans and Advances	336.0	373.2	404.1	422.4	440.7
Public Sector	4.9	1.2	13.9	13.8	2.7
Private Sector	331.1	372.0	390.2	408.6	438.0
INTEREST RATE (%)					
Weighted Average Lending Rate	14.3	14.4	14.6	15.0	16.3
Weighted Average Deposit Rate	6.4	6.0	6.0	6.1	7.2
CENTRAL GOVERNMENT FINANCES (BZ \$mn)					
Current revenue	224.4	230.1	249.0	265.1	259.9
Current Expenditure	150.5	173.2	208.7	233.8	239.8
Current Account Surplus/(Deficit)	73.8	56.9	40.3	31.3	20.1
Capital Expenditure	118.4	148.6	139.1	111.0	83.2
Overall Surplus/(Deficit)	-42.5	-50.2	-69.1	-65.2	-46.9
Domestic Financing	24.7	26.4	32.3	24.5	33.1
External Financing	17.8	30.9	46.3	27.1	3.7
BALANCE OF PAYMENTS (US \$mn)					
Merchandise Exports	126.3	141.3	134.1	143.5	161.8
Merchandise Imports	223.6	244.5	250.6	231.9	230.4
Trade Balance	-97.3	-104.3	-116.5	-88.4	-68.5
Current Account Balance	26.6	29.1	-49.0	-30.5	-21.2
Capital Flows	22.0	29.1	43.3	1.9	-7.0
Net Change in Official International Reserves*	20.8	-1.4	18.9	3.7	-4.0
Net International Reserves	49.3	50.7	31.8	28.1	32.2
Import Cover of Reserves (in months)	2.9	2.7	1.7	1.4	1.5
EXTERNAL PUBLIC DEBT (US \$mn)					
Disbursed Outstanding Debt	150.6	145.6	167.9	184.0	183.9
Debt Service Payments	15.0	13.4	15.5	24.0	29.7
Debt Service Ratio	5.8	4.6	5.4	8.2	10.0

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

P - Provisional
* minus = increase



Economic Review

Overview

During 1995, the improved performance of the real sector and the international reserves position of Belize were overshadowed by Government's fiscal difficulties. While there were significant increases in production, the major economic concern was the ability of Government to sustain its policy of fiscal restraint and adjustment.

Belize's real gross domestic product (GDP) expanded by 3.8% - a significant acceleration from the 1.5% growth experienced in 1994. This improved performance was attributable mainly to increases in agriculture production (7.7%), manufacturing (4.4%), public utilities (3.2%) and the services sector (3.4%), which outweighed declines in forestry and logging.

The average Consumer Price Index rose from 2.6% in 1994 to 2.9% in 1995.

Strong growth in the citrus industry boosted both agriculture and manufacturing as a 52.4% increase in citrus fruit production led to sharp increases in the production of citrus concentrates and single strength citrus juices. This performance reflected the upswing in the citrus production cycle and the maturation of citrus groves which were planted in the mid-to-late 1980's. The contraction in forestry and logging was largely a spill-over effect of the depreciation of the Mexican Peso on the demand for foreign goods by Mexican importers. All areas of the services sector grew, with the most significant increases occurring in real estate, business services, distribution, tourism, transport and communication.

Belize experienced a US\$4.0 mn overall surplus on its balance of payments, a relatively strong recovery from the US\$3.7 mn deficit of 1994. The improvement primarily reflected increases in earnings from domestic exports and unrequited transfers from non-residents. The trade deficit declined by US\$19.9 mn as a result of a US\$1.5 mn fall in imports and a US\$18.3 mn rise in export earnings. At the end of 1995, net official international reserves amounted to US\$32.2 mn, up US\$4.1 mn from US\$28.1 mn at the end of 1994.

Money supply (M2) expanded by 16.2% to \$589.4 mn during the year as both net domestic credit and net foreign assets increased. Net domestic credit to Central Government rose by \$32.0 mn while credit to the private sector increased by \$32.8 mn. The growth in net credit to Central Government was the result of a \$17.2 mn reduction in Central Government deposits in the banking system, a \$5.2 mn increase in the overdraft balance held with the Central Bank and the floating of a \$10.0 mn Defence Bond in September which was taken up by the Central Bank. In the private sector, the expansion in credit was mainly for building and construction, distribution, public utilities and citrus production.

The net foreign assets of the banking system grew for the first time since 1991, expanding by \$35.6 mn as the net foreign position of both the Central Bank and commercial banks improved over the year. The net foreign assets of the Central Bank grew by \$8.0 mn as a result of increased purchases of foreign exchange from sugar exports. The net foreign position of the commercial banks improved by \$27.6 mn as they reduced their foreign liabilities by \$24.2 mn and increased their foreign assets by \$3.4 mn.

On January 1, 1995, the approved liquid assets requirement was reduced from 28% to 24% and the cash reserve requirement was reduced from 7% to 5% of deposit liabilities to compensate for the simultaneous shift of \$21.0 mn of Central Government deposits from the commercial banks to the Central Bank. On December 1, 1995, in response to the consistent build up of excess liquidity in the commercial banking system during the year, liquid assets requirements were increased from 24% to 26% of deposit liabilities while the average cash reserve requirement was increased from 5% to 7%.

During the year, holdings of approved liquid assets rose by 7.1% to \$163.6 mn and required liquid assets increased by \$8.7 mn. As a result, excess liquid assets holdings rose by \$2.1 mn. Excess cash reserves expanded by \$0.3 mn (20.0%) during 1995 as average daily holdings rose by \$5.3 mn (14.8%) while required holdings increased by \$5.0 mn (14.6%).



The weighted average interest rate spread widened by 20 basis points to 9.1% as the weighted average lending rate increased by 130 basis points to 16.3% while the weighted average deposit rate rose by 110 basis points to 7.2%.

The Banks and Financial Institutions Act (BFIA) of 1995 was passed in December and came into effect early in 1996. The new law replaced the Banking Act of 1976 and expanded the supervisory responsibilities of the Central Bank to cover, not only commercial banks, but also other types of financial institutions.

The Central Bank has also proposed Offshore Banking Legislation and Anti-Money Laundering Legislation in its efforts to support the development of a strong and reputable offshore jurisdiction.

Central Government operations during calendar year 1995 resulted in an overall deficit of \$46.9mn. This was an improvement of \$18.4 mn or 28.2% over the previous year and reflected a significant reduction of \$31.8 mn in capital expenditure. The current surplus of \$20.0 mn, however, was \$11.2 mn or 35.9% below 1994 levels as a result of a \$5.2 mn (2.0%) decrease in current revenue and a \$6.0 mn (2.5%) increase in current expenditure.

The fall in current revenue reflected shortfalls in revenues from taxes on income and profits (16.2%), taxes on goods and services (6.6%) and property income (52.7%), while the growth in current expenditure was the result of increases in interest payments on the public debt (14.8%), pensions (1.1%) and wages and salaries (0.7%).

The fiscal deficit was financed primarily from domestic sources as reflected in the \$32.0 mn expansion in net domestic credit to Central Government. Financing from abroad fell by \$23.4 mn to \$3.7 mn, largely reflecting a \$19.5 mn reduction in disbursements, while principal repayments rose by \$8.2 mn or 33.9%.

In 1995, Government took several steps to reduce expenditures and increase revenues so as to strengthen its fiscal position. To reduce the wage bill, Government implemented a two-year wage freeze early in the year and retrenched 860 Public Service Officers in December. On the revenue side, excise taxes on spirits and tobacco products were increased.

At the end of December, the disbursed outstanding external public debt amounted to \$367.9 mn reflecting a marginal decline during the year. Central Government's portion of the external debt was \$293.5 mn at the end of 1995. During the year, Government's domestic debt rose by \$13.9 mn to \$164.1 mn.

GDP is projected to grow by about 4.5% in 1996. The real sector's performance will, for the most part, continue to strengthen steadily while Government's fiscal position is expected to improve as policies implemented in 1995 to reduce the wage bill and stabilize revenues take effect. Moderately strong growth is expected in the citrus, banana and marine industries. In the aftermath of heavy flooding in 1995, however, the sugar industry is expected to experience a 1.2% decline in exports. Tourist arrivals should increase by between 6% and 8% in response to marketing initiatives launched in the United States of America (USA) and Europe.



International Economic Developments

Industrial Countries

Economic expansion in the industrial world slowed to an average of 2.4% in 1995. The tightening of monetary policy in 1994 in G7 countries reduced inflationary pressures and helped to reverse earlier increases in long-term interest rates. In many cases, inflation has remained at its lowest level since the 1960's boosting confidence in most countries. Despite these positive indicators, however, some industrial countries continue to struggle with large budget deficits and public debt along with high unemployment.

Economic growth in the USA was sluggish at 2.4%, reflecting the effects of tight monetary policy in 1994. Spin-off effects from the Mexican crisis also contributed to the slowdown in performance. Unemployment remained steady at approximately 5.7%, while consumer prices rose by 3.1%. The key policy issue confronting the USA is the need to reduce the fiscal deficit and strengthen national savings.

Canada's recovery from the recession of the early 1990's slowed in 1995 as GDP growth decelerated to 2.3% from 4.6% in 1994. This largely reflected the sluggish performance of the USA, its largest trading partner. Unemployment fell to 9.2% from 10.0% in 1994 and Canada's relatively low inflation rate of 2.5% is likely to prompt quicker growth in 1996 than is expected in the US.

In the United Kingdom (UK), output grew by 1.8% in 1995. As the economy slowly continued to move away from a manufacturing base towards a service base, the services sector grew by 0.8% while manufacturing output remained stagnant. Unemployment fell from 8.8% in 1994 to 8.0% and consumer-price inflation fell to approximately 3.0%. Investment grew by an estimated 5.2% in 1995 accounting for approximately one third of the overall growth in GDP, surpassing exports as the driving force of economic recovery.

The Japanese economy remained in the recession that began in 1991, with GDP estimated to have grown by about 0.5% in 1995. During the year, Japanese authorities were mainly concerned with reversing the economic slowdown which resulted from

successive crises in the financial system and the continued appreciation of the Yen. The closure of insolvent financial institutions was an important step towards strengthening the financial system in Japan and the relaxation of both fiscal and monetary policies helped to reverse the excessive appreciation of the yen. Unemployment in Japan remained low at 3.2% and consumer prices fell by 0.2%.

Regional Developments

In response to the abrupt reversal of capital flows towards the end of 1994, Mexico adopted a stabilization program aimed at increasing domestic savings, reducing the external deficit and stabilizing inflation in the aftermath of the sharp depreciation of the Peso. As expected, output contracted early in the adjustment process as reflected in the 5.0% decline in GDP during 1995 and consumer prices soared by 31.0%. In the second half of the year, investor confidence improved as a result of declining interest rates and a relatively stable Peso.

Over the last five years, Latin American countries, particularly those comprising MERCOSUR, have significantly lowered trade barriers. In addition, diversification of exports has made these countries less susceptible to external shocks and the technological gap with more developed countries has narrowed. In reaction to the Mexican crisis, however, some Latin American countries reversed some previous liberalizations and implemented certain trade restrictions.

CARICOM economies grew by an average of 3.4% reflecting mixed performance across the region. Guyana led the way with growth of 8.9% while Jamaica experienced marginal growth of 1.0%. An extremely dry period followed by a very active hurricane season affected agricultural production and tourism in a number of countries. St. Lucia and Dominica experienced losses in banana production, and Jamaica's sugar production declined. There were significant improvements in public sector performance in Barbados and Guyana, while public finances deteriorated in Trinidad and Tobago.

GDP in Guyana grew by an estimated 8.9% as a result of increases in rice, livestock, forestry and



manufacturing production. High prices boosted rice production by 35.7% and increased domestic demand stimulated a 21.7% growth in livestock and poultry production. As improvements in electricity generation reduced a major impediment to the sector, manufacturing production was able to expand by 12.5%. In the public sector, the overall deficit improved by 16.1% to G\$1.1 bn largely as a result of strong improvements in the performance of non-financial public enterprises.

Economic growth in Jamaica was estimated at 1.0% with mixed performance across the productive sectors. Agricultural production declined by 2.4% in the aftermath of severe drought in the latter half of 1994. The decline in the manufacturing sector continued in 1995 as a result of plant closures, high interest rates and labour unrest. Earnings from the export of bauxite and alumina increased in response to favourable international prices despite labour unrest and strikes at the processing plants. The services sector, however, continued to grow, led by significant expansion in banking and finance. Despite the relatively slow start of the tourist season, both tourist arrivals and expenditure increased during 1995.

There were significant improvements in the fiscal operations of the Government of Barbados as the overall balance went from a deficit of Bds\$58.9 mn in 1994 to a surplus of Bds\$57.6 mn in 1995. The strong

improvement reflected two factors: greater than expected receipts of direct tax revenues and slow execution of the Government's capital expenditure programme. Economic activity, however, slowed to 2.3% from 4.0% in 1994 largely as a result of a 2.5% reduction in the production of sugar. Poor tourism performance also contributed to the decline in economic activity. However, there was modest growth in wholesale and retail trade, construction, transportation, storage, communications and other services.

Economic output in Trinidad and Tobago expanded by 3.5% after growing by 4.2% in 1994. This performance reflected a 4.0% expansion in the non-oil sector along with a 2.1% increase in the petroleum sector. Developments in the non-oil sector included growth in output of hotels and guest houses, construction and quarrying. The manufacturing sector had relatively strong performance as production of wood and related products expanded by 27.2%. Strong performances were also recorded in the iron, steel and cement industries. The above increases contributed to a fall in unemployment to 17.3% in 1995. Agricultural output declined by 0.9% mainly due to unfavourable weather conditions which caused an 8.0% reduction in sugar production. During the first nine months of 1995, Central Government's overall fiscal deficit deteriorated from TT\$6.0 mn to TT\$26.6 mn.



Domestic Production, Exports and Prices

Overview

During 1995, the improved performance of the real sector, the expansion in the official international reserves and the strong improvement in the net foreign assets of the banking system of Belize were overshadowed by Government's fiscal difficulties. While there were significant increases in agriculture production, tourism and other services, the major economic concern of the general public and the business community appeared to be the ability of Government to sustain its policy of fiscal restraint and adjustment.

Preliminary estimates from the Central Statistical Office indicate that growth in real GDP accelerated to 3.8% in 1995 from 1.5% in 1994, led by increases in manufacturing, agriculture, public utilities and the services sector. These increases outweighed the decline experienced in the forestry and logging industry.

After growing by 2.4% in 1994, the primary sector expanded by 6.4% in 1995, boosted by increases in agriculture and fishing. Mining activity rose minimally while forestry and logging declined significantly. The 7.7% growth in agriculture production primarily reflected the 52.6% increase in the delivery of citrus fruit as a result of the maturation of groves planted in the mid-to-late 1980's and an upturn in the production cycle. Extremely dry weather conditions and the resulting increase in accidental bush fires contributed to a 14.5% decline in sugarcane production.

In the banana industry, production fell by 7.2% as a result of several factors: extremely dry weather followed by heavy rainfall, inadequate irrigation systems on a number of farms and labour unrest.

Production of rice paddy rose by 48.3% to 21.2 mn pounds reflecting an increase in acreage under rice production and improvements in cultivation practices, including mechanization. Corn and honey production expanded by 21.2% and 34.8% respectively, while poultry production rose by 3.3%. Production of cattle, pigs and red kidney beans declined by 6.2%, 11.8% and 2.8%, respectively.

Forestry and logging activity contracted by 13.6% mainly as a result of the decline in demand in the Mexican market following the sharp fall in the value of the Peso beginning in late 1994. New restrictions placed on the harvesting and exportation of certain endangered species of tropical hardwoods also contributed to the decline in forestry. Fisheries production rose by 19.7% after falling by 5.2% in 1994. This reflected a cyclical upturn in lobster production, increased international demand for large size whole fish and expansion in local demand for marine products by the tourist industry.

After declining by 3.0% in 1994, activity in the secondary sector rose by 3.4% spurred by growth of 4.4% in manufacturing production. This reflected expansion in the production of citrus concentrates and single strength citrus juices commensurate with the sharp rise in citrus fruit production. Public utilities and construction rose to a lesser extent, by 3.2% and 1.1%, respectively.

Growth in the services sector slowed to 3.1% in 1995 from 3.3% in 1994. The distribution sector contracted as consumers shifted to cheaper suppliers across the Mexican border following the depreciation of the Peso. Also within the services sector, transport and communication grew by 4.4%, real estate and business services by 4.7%, public

Table 2: Selected Growth Indicators

(Annual Percentage Change)

	1993	1994	1995 ^P
GDP at Current Market Prices	9.4	2.8	6.4
Real GDP (at 1984 prices)	4.3	1.5	3.8
Primary Activities	0.3	2.4	6.4
of which: Agriculture	-0.7	2.7	7.7
Secondary Activities	8.0	-3.0	3.4
of which: Manufacturing	4.7	4.8	4.4
Construction	14.3	-20.5	1.1
Services	4.1	3.3	3.1
of which: Trade & Tourism	3.8	4.4	2.5
Consumer Price Index			
Average	1.5	2.6	2.9
End of Period	2.3	1.8	3.9

Source: Central Statistical Office

P - Provisional



administration by 0.7%, finance and insurance by 3.8%, and community and other services by 2.6%.

The average Consumer Price Index (CPI) rose from 2.6% in 1994 to 2.9% in 1995 mainly as a result of increases in the following categories: medical care, rent, water, fuel and power. The increase in the index was most pronounced in Dangriga Town (3.9%), Corozal Town (3.2%) and Punta Gorda Town (3.2%).

Sectoral Review

Domestic exports are estimated to have increased by \$30.9 mn or 12.1% to \$285.8 mn during 1995. This significant improvement over the 7.2% expansion in exports experienced in 1994 reflected increases in earnings from the export of citrus products and sugar which rose by \$24.7 mn and \$14.9 mn, respectively. The expansion was also influenced by increases of \$4.7 mn in marine exports and \$1.1 mn in non-traditional exports. On the other hand, banana exports fell by \$1.8 mn, molasses by \$4.8 mn, sawn wood by \$3.7 mn and garments by \$7.4 mn.

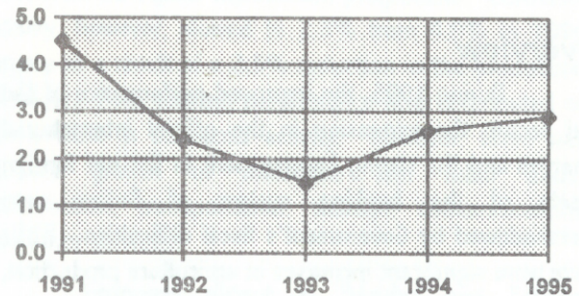
Sugar

Sugar cane deliveries fell by 14.5% to 1.0 mn long tons during the 1994/95 crop year as a result of unusually low levels of rain fall and the resulting increase in the incidence of accidental fires. Deliveries of cane to the Belize Sugar Industries Ltd. (BSI) declined by 7.2% while deliveries to Petrojam Belize Ltd. (PETROJAM) dropped by 58.0%. PETROJAM

experienced a larger reduction in deliveries since a larger proportion of cane farmers who deliver to that factory were affected by fires. Also, under the cane licensing arrangements with BSI, cane farmers must first fulfill their obligations to BSI before delivering sugarcane to PETROJAM.

Despite the contraction in deliveries to BSI, sugar production was about the same as in 1994 as overall factory efficiency rose from 90.3% to 90.8% and

Figure 1: Consumer Price Inflation 1991 - 1995
Annual Average (%)



the cane/sugar ratio declined from 9.97 to 9.31. The latter occurred because the dry weather conditions which reduced the size of the harvest also had the effect of increasing the sucrose content of the crop.

In 1995, sugar exports totaled 92,316 long tons valued at \$95.5 mn - a negligible decline in export volume but growth of 18.5% in export value over 1994. The strong improvement in earnings reflected an increase in exports under quota arrangements to preferential markets, a 2.0% appreciation of the ECU/Pound Sterling against the US dollar and an increase of 20% in the price of sugar on the world market.

Shortages of sugar in the preferential markets led to significant reallocations of export quotas to Belize. As a result, approximately 18.0% or 13,256 long tons of sugar were diverted from the world market to preferential markets - 12,216 long tons to the European Union (EU) and

the remaining 1,040 long tons to the USA. The shortage in the EU market reflected shortfalls in domestic supplies of beet sugar and the inability of other African Caribbean and Pacific (ACP) countries to fill their quotas. In the US market there were shortfalls in domestic supplies of cane sugar.

The average price per pound of sugar on the world market was US\$0.12 as compared to US\$0.21 and

Table 3: Domestic Exports

	(\$mn)		
	1993	1994	1995 ^P
Traditional Exports	225.1	241.6	271.4
Sugar	82.9	80.6	95.5
Citrus	27.9	34.2	62.1
Molasses	9.6	10.4	5.6
Bananas	34.8	45.9	44.1
Marine	24.6	26.4	31.1
Garments	41.2	36.5	29.1
Sawn Wood	4.4	7.6	3.9
Non-traditional Exports	12.8	13.3	14.4
Total	237.9	254.9	285.8

Source: Central Statistical Office
P - Provisional



Table 4: Sugar Production

	1993	1994	1995 ^P
Production of sugar cane (long tons) ¹	1,146,106	1,198,894	1,025,013
Sugar cane deliveries to BSI	962,516	1,026,719	952,764
Sugar cane deliveries to PETROJAM	183,590	172,175	72,249
Sugar Processed (long tons)	100,611	105,397	105,344
Molasses processed by BSI (Long tons)	28,830	31,949	35,216
High test molasses processed by PETROJAM	12,438	13,911	0
Cane juice molasses processed by PETROJAM	12,761	10,611	10,598
Performance			
Overall Factory Efficiency (%)	90.40	90.33	90.75
Cane Purity (%)	86.16	85.77	85.47
Cane/Sugar Ratio	10.21	9.97	9.31

Source: Belize Sugar Board

1 - Crop Year is December to June

P - Provisional

US\$0.19 on the preferential markets in the EU and the US, respectively. The higher prices received for the sugar reallocated to preferential markets added \$6.5 mn to sugar earnings in 1995. There were also increases in the price per pound of sugar on the EU (guaranteed quota) market and the world market, of 11.5% to US\$0.29 and 20.0% to US\$0.12, respectively.

The value of molasses exports fell by 46.2% to \$5.6 mn due to a 39.6% decrease in export volume and a 23.3% decline in the average price per long ton. The fall in sugar cane deliveries and weak demand from traditional buyers explain the decline in the volume and value of molasses exports.

During 1995, cane farmers in the Orange Walk division received \$64.52 per ton, 26.4% more than in 1994, while those in the Corozal division received \$65.52 per ton, 23.9% more than in 1994.

After more than ten years of negotiations, the transfer of majority ownership of BSI to employees of the company was completed in 1995. The original owners,

Tate and Lyle Co. Ltd. of the UK, have retained 10.0% of the equity while BSI Employee Holdings Ltd. now owns 81.29%. The remaining 7.71% is held by the Government of Belize. Apart from the acquisition of local control of the operations of BSI, the immediate implication of the transfer of ownership is the retention in Belize of the dividends earned by shareholders. In the medium term, Tate and Lyle has been retained to provide technical and managerial expertise.

In the 1995/96 crop year, cane farmers are expected to deliver 1.15 mn long tons of sugarcane, an increase of 11.7% over the 1994/95 crop. Approximately 1.0 mn long tons are to be delivered to BSI from which 105,000 long tons of sugar are expected to be produced. This marginal decline is expected to result from a deterioration in cane quality caused by heavy rainfall in the second half of 1995.

The volume of sugar exports is projected to decrease marginally by 1.2% to 91,200 long tons while the value is expected to contract by 5.8% to \$90.0 mn.

Table 5: Sugar Exports

	1993		1994		1995 ^P	
	Volume (long tons)	Value (\$mn)	Volume (long tons)	Value (\$mn)	Volume (long tons)	Value (\$mn)
Sugar	90,298	82.9	92,845	80.6	92,316	95.5
E.E.C (Quota)	42,234	56.4	42,569	51.3	54,538	69.6
USA (Quota)	12,136	10.8	10,210	9.1	14,095	12.6
Other (World)	35,928	15.7	40,066	20.2	23,683	13.3
Molasses	52,378	8.1	53,006	10.4	31,994	5.6

Source: Central Statistical Office

P - Provisional



These estimates reflect expected decreases in production and average prices in all markets. Earnings from the export of molasses are expected to be negligible in 1996 as market conditions continue to worsen.

Exports to the EU are expected to decline by 4,538 long tons or 8.3% as a result of recovery in the domestic beet sugar industry and the cane sugar industries in those ACP countries affected by unfavourable weather conditions in 1995. Average prices on this market are expected to decline by 2.4%.

Exports to the world market should contract by 5,483 long tons where the average price per pound of sugar is projected to decrease by 16.7% to US\$0.10 as a result of record crops expected in countries such as India, Thailand and Brazil. Exports to the USA are projected to increase by 3,905 long tons as estimates of supplies from US producers were revised downwards.

Citrus

Citrus fruit deliveries rose by 52.4% to 4.3 mn boxes reflecting a cyclical upturn in yields and the maturation of citrus groves planted in the mid-to-late 1980's in response to the Caribbean Basin Initiative. New groves were planted in the Stann Creek District as well as the Belize, Cayo and Orange Walk Districts.

The 1994/95 crop year saw the maturation of the first of the new groves; and it is estimated that the remainder will continue to reach maturity at an annual rate of 15.0% up to the year 2000. By that time the industry is expected to produce approximately 10.0 mn boxes of citrus fruit annually.

The increase in deliveries, resulted in growth of 55.7% in citrus concentrate production. Orange concentrate production increased by 56.1% to 2.3 mn gallons while grapefruit concentrate production rose by 54.2% to 0.8 mn gallons.

During 1995, the volume of citrus concentrate exported rose by 63.7% to 3.5 mn gallons while the value increased by 73.5% to \$58.3 mn. Exports of orange concentrate rose 78.0% to 2.7 mn gallons, accounting for 87.9% of the growth in export volume. The remaining increase of 12.1% reflected a 27.4% rise in the export of grapefruit concentrate to 0.8 mn gallons. A significant shift in exports to Europe, where the average price of orange concentrate was approximately 6.0% higher than the average price in the US, also boosted export value.

Traditionally, over 60.0% of citrus concentrate is exported to markets in the US whereas under 30.0% is sold to markets in Europe. In 1995, however, there was a distinct shift in this trend as 57.8% of citrus exports went to markets in Europe and 27.0% to US markets. With prices in Europe expected to rise somewhat in 1996 and the ability of that market to absorb the industry's exports, the shift in sales to Europe is expected to continue.

Single strength citrus juices were introduced in 1994 as a section of the industry moved to diversify its operations. In that year, exports amounted to 0.1 mn gallons valued at \$0.6 mn. This increased to 0.9 mn gallons in 1995, valued at \$3.8 mn. The industry estimates that 4.9 mn gallons will be produced and exported in 1996, valued at approximately \$21.0 mn.

Single strength citrus juices are exported exclusively to Germany and England and have the potential to earn the industry 80.0% more than what is earned from the sale of citrus concentrates. However, the risks associated with the product are high since it is a relatively new product for Belize and the financing requirements are significant.

Since the commencement of exports in 1994, the average price received per gallon of single strength citrus juices has fallen by 3.1% to \$4.19.

Table 6: Production & Export of Citrus

	1992/93	1993/94	1994/95
Deliveries ('000 boxes)*	2,808	2,853	4,347
Oranges	1,793	2,020	3,133
Grapefruit	1,015	833	1,214
Produce Exported ('000 gals.)	1,953	2,109	4,358
Orange Concentrate	1,392	1,515	2,696
Grapefruit Concentrate	561	594	757
Single Strength Juices	-	143	905
Value (\$mn)	27.9	34.2	62.1
Oranges	17.6	23.2	44.9
Grapefruit	10.3	10.4	13.4
Single Strength Juices	-	0.6	3.8

Sources: Central Statistical Office * - Crop year is from October to June
Belize Food Products
Citrus Company of Belize



However, the price is expected to recover in 1996, by 1.5% to \$4.25 per gallon, in response to a decline in exports from Brazil where unfavourable weather damaged a portion of its industry. The freeze in Florida during the 1995/96 crop season is also expected to have a strengthening effect on citrus prices in 1996.

The 1995/96 citrus crop is projected to rise by 20.0% to 5.2 mn boxes. However, citrus concentrate production is expected to rise by only 2.9% to 3.1 mn gallons as a result of the shift towards the production of single strength orange and grapefruit juices. Earnings of \$70.0 mn are expected from the export of citrus concentrate and single strength citrus juices in 1996. This would be a 20.1% increase over the 1995 level, reflecting increased production and the strengthening of world market prices for citrus products.

Bananas

During 1995, the volume of banana exports contracted by 16.8% to 87.9 mn pounds while the value declined from \$45.9 mn to \$44.1 mn. These values include quality bonuses of \$16.2 mn and \$15.8 mn in 1994 and 1995, respectively.

The fall in the volume of banana exports was largely a result of unfavourable weather conditions and industrial unrest. An extremely dry first half of the year followed by unusually heavy rainfall together with inadequate irrigation systems on some farms contributed significantly to the destruction of approximately 19.0% of the crop. Industrial disturbances on at least one of the major farms also interrupted the production process.

Because of hurricane damage to plantations in Eastern Caribbean countries such as St. Lucia and Dominica and severe dry weather in Barbados, these countries were unable to fill their EC banana quotas. As a result, about 12.0% or 10.5 mn pounds of banana exports represented quota reallocations to Belize.

Despite the 16.8% reduction in export volume, the value of exports decreased by

only 3.9% mainly as a result of increases of 3.4% in the basic price and in the quality bonus price paid per production box of banana exported. These price increases reflect the favourable quality-rating of the product. By the end of 1995, the basic price paid per production box by Fyffes Ltd. stood at BZ\$12.00 and the bonus price paid per production box of banana exported rose by 3.4% to BZ\$6.20.

During 1995, production in the banana industry was interrupted by industrial unrest as a number of employees went public with their grievances about the working conditions in the industry and sought to address their concerns through trade union activity. Although the underlying problems remain unresolved, the disturbances have diminished considerably and the operations of the industry have returned to normal.

Marine Products

During 1995, the value of marine exports totaled \$31.1 mn, 17.9% higher than the 1994 level. This reflected a seasonal increase in the lobster catch, a rise in shrimp farm production and moderate growth in conch and whole fish exports.

Lobster tail exports rose by 5.1% to 476,000 pounds and export earnings rose by \$0.2 mn or 1.7% to \$13.3 mn, representing approximately 42.5% of total earnings from the sale of marine products. However, the rate of increase in lobster tail exports slowed from 24.1% recorded in 1994 reflecting a shift towards the production of whole cooked lobster.

Exports of whole cooked lobster increased by 174,000 pounds resulting in a rise in export value from \$1.5 mn to \$4.0 mn. The export of whole cooked lobster has been growing faster than the export of other lobster products in response to higher returns for the lobster when sold whole.

Although the price per pound of lobster tails is higher than whole cooked lobster, the return per lobster is lower since the head, which accounts for two-thirds of body weight, is generally discarded in

Table 7: Banana Exports

	1993	1994	1995 ^P
Volume ('000 lbs)	85,586	105,676	87,876
40-lb net boxes	1,824,592	2,238,038	1,599,305
28-lb net boxes	450,082	576,936	853,722
Value (\$mn)	24.0	29.7	28.3
Quality Bonus (\$mn)	10.8	16.2	15.8
Total Value (\$mn)	34.8	45.9	44.1

Source: Central Statistical Office

P - Provisional



Table 8: Exports of Marine Products

	1993		1994		1995 ^P	
	Volume ('000 lbs)	Value (\$'000)	Volume ('000 lbs)	Value (\$'000)	Volume ('000 lbs)	Value (\$'000)
Lobster Tail	420	9,698	453	13,029	476	13,231
Lobster Head	7	41	10	60	18	118
Whole Cooked Lobster	2	27	111	1,485	285	3,987
Shrimp	1,381	11,378	1,116	9,189	1,335	10,979
Conch	424	3,027	328	2,361	363	2,271
Whole Fish	145	352	78	227	148	400
Other	6	54	7	53	14	156
TOTAL	2,385	24,577	2,103	26,404	2,639	31,142

Source: Central Statistical Office
P - Provisional

lobster tail production. Production and sale of whole cooked lobster is still relatively new to Belize and the production and export potential will take some time to be fully exploited.

Shrimp exports totaled 1.3 mn pounds in 1995 valued at \$11.0 mn, an expansion of approximately 19.5% in volume and value. This reflected the positive results of experimentation with intensive shrimp cultivation by the largest shrimp farm in Belize. Rather than the conventional two crops, one larger than normal crop was cultivated using semi-intensive techniques.

Whole fish exports totaled 148,000 pounds valued at \$0.4 mn, an increase from 78,000 pounds valued at \$0.2 mn in 1994. This is mostly due to exports of larger sizes of fish in response to a vibrant international demand. The average price per pound remained more or less stable at US\$1.45 in 1995.

Conch exports rose from 328,000 pounds in 1994 to 363,000 pounds in 1995, an increase of 10.7%. The value of conch exports, however, declined by 3.8% to \$2.3 mn as international prices fell by 13.1% during the year. The expansion in exports reflected the decision to reduce inventories in order to lower storage costs.

Other Exports

Garments

During 1995, garment exports totaled 1.8 mn pieces valued at \$29.1 mn, a significant fall from the 3.3 mn pieces valued at \$36.5 mn which were exported in 1994. The decline in 1995 was a consequence of depressed market conditions in the US following natural disasters in California in 1994, and the shift to relatively

cheaper sources in Mexico following the sharp depreciation of the Mexican Peso.

Wood Products

During 1995, the volume of sawn wood exports fell to 2.7 mn board feet while export value declined to \$3.9 mn. This was attributable to the decline in demand on the Mexican market resulting from the sharp depreciation of the Mexican Peso in December of 1994.

Table 9: Sawn Wood Exports

	1993	1994	1995 ^P
Volume ('000 bd. ft.)	3,124	4,437	2,661
Value (\$'000)	4,392	7,632	3,930
Average Price (\$/bd. ft.)	1.41	1.72	1.48

Source: Central Statistical Office
P - Provisional

Although there was partial recovery of the market late in 1995, it was insufficient to offset the decline early in the year. The decline in the value of wood exports also reflected the exportation of lower-valued lumber as local manufacturers were encouraged to utilize the higher-valued lumber in order to increase the local value-added of their products.

Table 10: Garment Exports

	1993	1994	1995 ^P
Volume (mn pieces)	4.3	3.3	1.8
Value (\$mn)	41.2	36.5	29.1

Source: Central Statistical Office
P - Provisional



Non-traditional Exports

In 1995, the value of non-traditional exports rose by \$1.1 mn to \$14.4 mn. Fair growth was recorded in the export of red kidney beans, black eye peas and mangoes, while papayas, veneer/plywood and pepper sauce exports contracted.

Tourism

The tourist industry continued to grow in 1995. Of total passenger arrivals recorded by the Immigration Department, 111,754 persons were categorized as tourists, an increase of 5.9% over the previous year. Similarly, tourist expenditure in Belize was estimated to have expanded by 5.7% to \$150.9 mn. The number of cruise ship passengers coming to Belize rose by 7.7% to 10,199 in 1995. However, cruise ship passenger arrivals are expected to decline next year since the major ships have not renewed their licenses to come to Belize.

During the year, the number of hotels expanded by 10.4% to 362 increasing the number of hotel rooms by 6.3% to 3,708 and the number of beds by 5.6% to 6,137. In the Cayo district, the leading growth area for eco-tourism in the country, registered hotels increased by 11.7%. Overall room occupancy during the year averaged 29.0%, the same as in 1994, with San Pedro registering the highest level of occupancy at 39.0%.

Table 11: Selected Tourism Statistics

	1993	1994	1995 ^P
ARRIVALS	101,283	105,528	111,754
Air	85,466	85,012	90,512
Land	9,618	11,043	11,043
Sea	6,199	9,473	10,199
HOTEL CAPACITY			
No. of Hotels	303	336	362
No. of Rooms	3,325	3,504	3,708
No. of Beds	5,475	5,842	6,137

Source - Belize Tourist Board
P- Provisional

Over the course of the year, the Belize Tourist Board (BTB) in conjunction with the Belize Tourism Industry Association (BTIA) engaged in a number of activities aimed at boosting the number of tourist arrivals in Belize. A major objective was to increase the number of

tourists who come to Belize during the low season from May to October.

Both public and private sector tourism organizations have become increasingly aware of the need to upgrade Belize's promotional campaign given its proximity to relatively low cost destinations, particularly in Central America and Mexico, which have similar products to offer tourists. To this end, Belize was represented at leading international tourism trade shows in the major markets in Europe and the United States, as well as in the Caribbean and Latin American region. Belize continued to be showcased in the international print media, especially magazines and newspapers which focus on eco-tourism, promoting the country as a destination perfect for diving and nature expeditions.

An agreement was reached between Taca Airlines, British Airways and the United States Government to facilitate tourists coming from Europe. The arrangement allows tourists traveling on British Airways to make a direct transfer to Taca Airlines in Miami, relieving them of the need to go through US Customs and Immigration and allowing them to complete the trip to Belize in the same day.

In 1995, the tourist industry also placed emphasis on the development of the sector's human resources. A number of training courses were held which targeted not only persons who are directly employed in the industry but also individuals who carry out auxiliary functions such as employees of the Customs and Immigration Departments and the Port Authority.

As a result of an increase in criminal activity, a number of tourism police were employed by the BTB with the specific responsibility of ensuring the safety of tourists countrywide.

During 1995, a public relations company was contracted to promote Belize's tourism product through television advertisements in the major markets in the US beginning in 1996. Also planned for 1996 is the tourist industry's first international tourism fair - the Belize Tourism Exposition (BTEX) to be held in July in Belize. Countries from all over the world, especially those which are eco-tourism oriented, will be invited to showcase their products at this event.



Monetary and Financial Developments

Money and Credit

For the fifth consecutive year, net domestic credit has been the more significant factor contributing to the growth in money supply (M2). This is in contrast to the period 1985 - 1990, when growth in M2 was largely attributable to increases in the net foreign assets of the banking system.

Broad money (M2) rose by \$82.2 mn or 16.2% to \$589.4 mn during the year - the highest growth rate achieved in the last 4 years. Narrow money (M1) expanded by 5.0%. Quasi-money rose by 21.2% boosted by a 28.6% growth in time deposits while savings deposits grew by 5.0%.

Table 12: Sources of Money Supply Movements

	Position as at			Change During 1995
	Dec 1993	Dec 1994	Dec 1995	
Net Foreign Assets	41.1	26.5	62.1	35.6
Central Bank	63.7	56.3	64.3	8.0
Commercial Bank	-22.6	-29.8	-2.2	27.6
Net Domestic Credit	477.3	520.7	583.2	62.5
Central Government (net)	66.1	90.5	122.5	32.0
Other Public Sector	21.0	21.6	19.3	-2.3
Private Sector	390.2	408.6	441.4	32.8
Other Items (net)	44.8	40.0	55.9	15.9
Money Supply (M2)	473.6	507.2	589.4	82.2

In 1995, money supply (M2) expanded by 16.2% compared to 7.1% in 1994. The vigorous expansion was fueled by sharp increases in net domestic credit as well as a substantial rise in the net foreign assets of the banking system. Net domestic credit rose by \$62.5 mn and was almost equally distributed between Central Government and the private sector. The improvement in the net foreign assets was derived mainly from the improved performance of sugar, citrus and marine exports which facilitated a sizable reduction in commercial bank liabilities to foreign affiliates.

M1 increased by \$7.8 mn to \$165.0 mn during 1995 as currency with the public and demand deposits increased by \$4.7 mn and \$3.1 mn, respectively. The rate of growth in demand deposits was moderately slower than the 5.8% growth achieved in 1994.

Demand deposits of International Business Companies (IBC's) and business enterprises fell by \$2.5 mn and \$3.3 mn, respectively, as funds were shifted into high interest earning time deposits while demand deposits held by individuals increased by \$5.8 mn.

Table 13: Money Supply

	Position as at			Change During 1995
	Dec 1993	Dec 1994	Dec 1995	
Money Supply (M2)	473.6	507.2	589.4	82.2
Money Supply (M1)	149.2	157.2	165.0	7.8
Currency with the Public	54.2	56.7	61.4	4.7
Demand Deposits	95.0	100.5	103.6	3.1
Quasi-Money	324.4	350.0	424.4	74.4
Savings Deposits	101.2	109.0	114.4	5.4
Time Deposits	223.2	241.0	310.0	69.0



Private sector savings deposits grew by 3.9 % as compared to the 9.8% growth experienced in 1994. This was primarily the result of increased deposits made by individuals as other depositors in the private sector reduced their savings deposits. In the public sector, savings deposits of the Social Security Board and Development Finance Corporation of Belize grew by \$0.9 mn and \$0.5 mn, respectively.

Time deposits increased by \$69.0 mn to \$310.0 mn during 1995 with increases recorded in all categories: individuals (26.4%), business enterprises (47.2%), cooperatives (43.6%), private financial institutions (12.6%), and religious organizations (39.7%).

At 28.6%, time deposit growth was the highest for over a decade notwithstanding the introduction of a 5% tax on interest income on time deposits which was implemented in July of 1994.

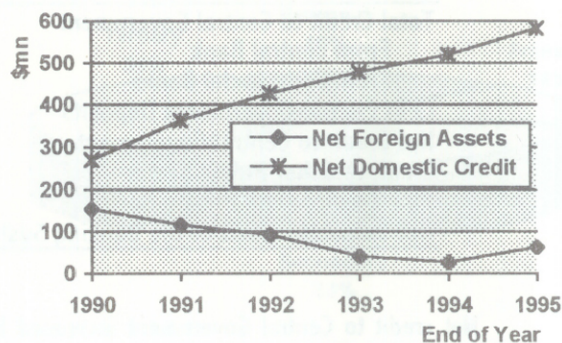
Net Foreign Assets

After having fallen steadily since 1991, the net foreign assets of the banking system increased by \$35.6 mn to reach \$62.1 mn at the end of 1995. The net foreign assets of the Central Bank increased by \$8.0 mn while the net foreign assets of the commercial banks increased by \$27.6 mn.

The Central Bank's foreign assets increased by \$6.2 mn (11.3%) as purchases of foreign exchange outweighed sales by \$5.3 mn. Commencing in April, the Central Bank instituted a policy of purchasing export earnings of sugar and molasses directly from BSI. By the end of the year, these purchases amounted to \$54.1 mn.

A reduction of \$1.8 mn in Central Bank's foreign liabilities also contributed to the improvement of the

Figure 2: Net Foreign Assets and Net Domestic Credit in the Banking System



Bank's net foreign position. This was mainly the result of repayments of \$1.2 mn made on the Taiwan Housing Loan and drawdowns of \$0.7 on the Belize Primary Education Development Project.

By the end of the year, the net foreign assets of the commercial banks had improved by \$27.6 mn to -\$2.2 mn at the end of the year. This reflected increased inflows of foreign exchange from exports of citrus and marine products as well as foreign exchange earned from the tourism industry. Foreign assets increased by \$3.4 mn while foreign liabilities fell by \$24.2 mn. The fall in liabilities was entirely due to repayments made by commercial banks on their foreign loans.

Net Domestic Credit

Net domestic credit in the banking system increased in 1995 by 12.0 % to \$583.2 mn. Net credit to Central Government and credit to the private sector both registered positive growth rates in 1995 while credit to the rest of the public sector fell.

Table 14: Net Foreign Assets of the Banking System

	Position as at			Change During 1995
	Dec 1993	Dec 1994	Dec 1995	
Net Foreign Assets of Banking System	41.1	26.5	62.1	35.6
Net Foreign Assets of Central Bank	63.7	56.3	64.3	8.0
Central Bank Foreign Assets	63.8	54.9	61.1	6.2
Government Of Belize Foreign Assets	13.5	13.8	13.8	0.0
Central Bank Foreign Liabilities	13.6	12.4	10.6	-1.8
Net Foreign Assets of Commercial Banks	-22.6	-29.8	-2.2	27.6
Commercial Bank Foreign Assets	46.4	47.5	50.9	3.4
Commercial Bank Foreign Liabilities	69.0	77.3	53.1	-24.2



Table 15: Net Domestic Credit

	Position as at			Change
	Dec 1993	Dec 1994	Dec 1995	During 1995
Total Credit to Central Government	110.5	131.0	145.8	14.8
From Central Bank	61.6	68.0	81.9	13.9
From Commercial Banks	48.9	63.0	63.9	0.9
Less Central Government Deposits	44.4	40.5	23.3	-17.2
Net Credit to Central Government	66.1	90.5	122.5	32.0
Credit to Other Public Sector	21.0	21.6	19.3	-2.3
Plus Credit to the Private Sector	390.2	408.6	441.4	32.8
Net Domestic Credit of the Banking System	477.3	520.7	583.2	62.5

Net credit to Central Government increased by \$32.0 mn to \$122.5 mn of which 61.2% was obtained from the commercial banks and 38.8% from the Central Bank. Loans and advances and Government securities increased by \$14.8 mn while Government deposits were reduced by \$17.2 mn over the year. The reduction in the deposits with the commercial banks reflected the decision, taken by Government at the end of December 1994 and implemented early in 1995, to shift its deposits from the commercial banks to the Central Bank.

At the end of the year, Government held \$3.9 mn with the commercial banks.

During 1995, Government's overdraft at the Central Bank rose by \$5.2 mn and the Central Bank increased its holdings of Government securities by \$8.7 mn. Government's deposits held with the Central Bank increased by \$1.5 mn.

Credit to the rest of the public sector decreased by \$2.3 mn to \$19.3 mn at the end of the year. The fall

Table 16: Commercial Bank Loans and Advances

	Position as at			Change
	Dec 1993	Dec 1994	Dec 1995	During 1995
PRIMARY SECTOR	67.9	58.7	66.5	7.8
Agriculture	60.3	54.1	60.4	6.3
Sugar	11.6	13.0	13.9	0.9
Citrus	25.5	23.5	27.7	4.2
Bananas	17.0	12.6	13.0	0.4
Other	6.2	5.0	5.8	0.8
Commercial Fishing	4.4	2.4	3.9	1.5
Forestry	1.8	1.1	1.3	0.2
Mining & Exploration	1.4	1.1	0.9	-0.2
SECONDARY SECTOR	113.6	130.0	144.0	14.0
Manufacturing	30.2	37.4	36.8	-0.6
Building & Construction	82.7	92.6	102.4	9.8
Public Utilities	0.7	0.0	4.8	4.8
TERTIARY SECTOR	146.4	155.3	159.3	4.0
Transport	14.5	14.5	12.5	-2.0
Tourism	21.4	20.7	19.9	-0.8
Distribution	83.3	85.2	91.0	5.8
Other*	27.2	34.9	35.9	1.0
PERSONAL LOANS	59.3	61.6	70.9	9.3
TOTAL	387.2	405.6	440.7	35.1

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



in credit of \$1.6 mn from the commercial banks largely reflected the reduction in commercial bank holdings of public sector securities.

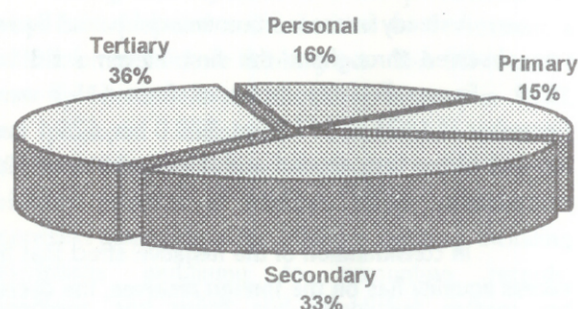
Credit to the private sector expanded by \$32.8 mn in 1995, raising private sector credit in the banking system to \$441.4 mn. After falling to a low of 2.5% in 1993, the rate of growth in credit to the private sector accelerated to 4.7% in 1994 and 8.0% in 1995.

The increase of \$35.1 mn in loans and advances in 1995 was distributed unevenly across the sectors. The primary sector obtained \$7.8 mn or 22.2% of new loans. The greatest portion, \$14.0 mn or 39.9%, of the increase in loans and advances, went to the secondary sector. Loans and advances to the services sector increased by \$4.0 mn or 2.6%.

In the agriculture sector, loans and advances increased by \$6.3 mn, of which \$4.2 mn went to the citrus industry. A portion of this credit financed investments in the production of single strength citrus juices. Smaller investments in the acquisition of new machinery in the sugar industry and new irrigation equipment in the banana industry resulted in loans to these industries increasing by \$0.9 mn and \$0.4 mn, respectively. In the commercial fishing industry, loans increased by \$1.5 mn as the industry acquired a quick freeze machine and two shrimp trawlers.

Growth in credit to the secondary sector slowed from 14.4% in 1994 to 10.8% in 1995. Loans to the construction industry increased by 10.6%, a marginal slowdown from the 12.0% achieved in 1994. Loans to public utilities increased by \$4.8 mn. After growing at

Figure 3: Distribution of Commercial Bank Credit by Sector



rates of 9.6% and 23.8% in 1993 and 1994, respectively, loans to manufacturing declined by 1.6% in 1995.

In the services sector, the rise of \$5.8 mn in loans to the distribution sector was offset by decreases of \$2.0 mn and \$0.8 mn to the transport and tourism industries, respectively. Personal loans increased by 15.1% to \$70.9 mn, a significant acceleration from the growth rate of 3.9% in 1994.

Liquidity

Commercial banks' holdings of approved liquid assets increased by \$10.8 mn over the year to \$163.6 mn and was held mostly in the form of Government of Belize Treasury Bills.

Effective January 1, 1995, the liquid assets requirement was reduced from 28% to 24% of deposit liabilities and the cash reserve requirement was reduced

Table 17: Commercial Bank Liquidity and Cash Reserves

	Position as at			Change During 1995
	Dec 1993	Dec 1994	Dec 1995	
Holdings of Approved Liquid Assets	138.6	152.8	163.6	10.8
Vault Cash	7.6	9.9	10.9	1.0
Balances with Central Bank	36.1	35.9	42.5	6.6
Money at Call & Foreign Balances due in 90 days	39.4	43.5	43.4	-0.1
Treasury Bills Maturing within 90 days	51.8	46.4	56.1	9.7
Treasury Notes	0.0	12.4	6.2	-6.2
Other Approved assets	3.7	4.7	4.5	-0.2
Required Liquid Assets	127.8	137.1	145.8	8.7
Excess/(Deficiency) Liquid Assets	10.8	15.7	17.8	2.1
Daily Average Holdings of Cash Reserves	36.5	35.8	41.1	5.3
Required Cash Reserves	32.0	34.3	39.3	5.0
Excess/(Deficiency) Cash Reserves	4.5	1.5	1.8	0.3



from 7% to 5% of deposit liabilities. These measures were taken to offset the impact of Central Government's withdrawal of its deposits from the commercial banks.

A steady increase in commercial banks' liquidity was observed throughout the first eleven months of 1995. Excess liquidity increased from \$15.7 mn in December of 1994 to \$17.9 mn, \$20.0 mn, \$25.1 mn at the end of the first, second and third quarters of 1995, respectively.

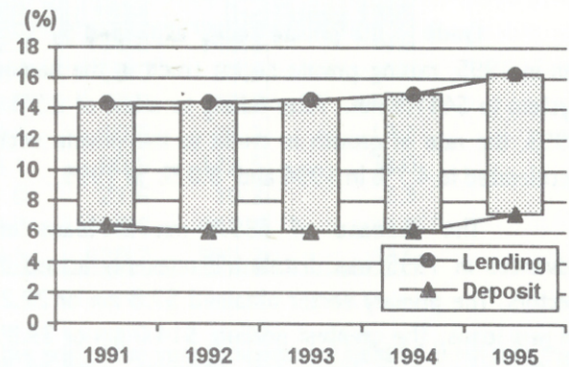
In consideration of the negative effect that high excess liquidity has on the foreign reserves, the decision was taken to increase both the average cash reserve requirement and the liquid asset requirement. Effective December 1, 1995, the average cash reserve requirement was increased from 5% to 7% of average deposit liabilities, while the average liquidity requirements was increased to 26% of average deposit liabilities.

Excess cash reserves, which is the amount by which the daily average holdings of cash reserves exceed the statutory required cash reserves, increased by \$0.3 mn.

Interest Rates

Over the year, the weighted average lending rate increased by 130 basis points to 16.3% as a result of increases in average loan rates which ranged from a low of 70 basis points to a high of 140 basis points on personal loans. The weighted average deposit rate increased by 110 basis points to 7.2% reflecting the increase of 130 basis points in the average interest rate on time deposits. As a result, the spread between the weighted average interest rate charged on loans and that paid on deposits, increased by 20 basis points to 9.1%.

Figure 4: Average Deposit and Lending Rates



Time deposit rates, at an average of 10.0%, exceeded the yield on the Treasury Bill (4.1%) and the rate of interest on Treasury Notes (9.0%) and Defence Bonds (9.0%). The rise in the time deposit rate was effective in attracting additional deposits as demonstrated by the 28.6% increase in time deposits. The interest rate on savings has been stable for several years. From 5.4% in 1993, the rate fell by 10 basis points in 1994 and remained at 5.3% in 1995. In the case of time deposits, the rate has increased steadily since 1992 when it fell from 8.3% to 8.1%.

Institutional Developments

During 1995, a new Banks and Financial Institutions Act (BFIA) was passed into law and came into effect on January 1, 1996. The BFIA captures, not only commercial banks, but also other types of financial institutions such as finance companies, trust companies and investment banks. It also provides a framework that is geared toward harmonizing the regulations and

Table 18: Average Interest Rates

	Position as at			Change During 1995
	Dec 1993	Dec 1994	Dec 1995	
Weighted Average Lending Rate	14.6	15.0	16.3	1.3
Personal Loans	15.0	15.6	17.0	1.4
Commercial Loans	14.4	14.9	16.2	1.3
Mortgage Loans	14.0	13.6	14.6	1.0
Other	16.2	17.2	17.9	0.7
Weighted Average Deposit Rates	6.0	6.1	7.2	1.1
Savings	5.4	5.3	5.3	0.0
Time	8.3	8.7	10.0	1.3
Weighted Average Interest Rate Spread	8.6	8.9	9.1	0.2



supervisory practices of Belize with those of other CARICOM member countries.

The first Regulation under the BFIA was implemented early in 1996. This Regulation introduced a new method of measuring the adequacy of capital in banks through a weighted risk-asset capital adequacy system.

Through its representation in the Offshore Services Working Committee in 1995, the Central Bank also assisted in amending the International Business Companies (IBC) Act to provide for better regulation and control of International Business Companies. The amendments to the IBC Act which were passed during 1995 prohibit such companies from holding shares, debt obligations or other securities in a local company or vice versa; prohibit persons resident in Belize from forming IBC companies; provide for a more expeditious procedure for striking a company off the Companies Register; and repeal the provisions relating to public investment companies.

In order to promote the development of Belize into a strong and reputable offshore jurisdiction, the Central Bank prepared and submitted to Government a draft Bill for an Offshore Banking Act. This Bill is under review by Government and should be enacted in 1996. The proposed legislation establishes licensing requirements for two classes of offshore banks; lists the prohibited activities of offshore banks; provides for supervision appropriate for offshore banking including prescriptions pertaining to accounting records, inspections, and audits; and establishes secrecy and disclosure practices.

Late in the year, the Central Bank proposed the implementation of anti-money laundering legislation to discourage such activity from taking place in Belize. The Money Laundering (Prevention) Bill is expected to be passed into law in 1996 along with the Offshore Banking Act, and will assist in the development of Belize as a reputable offshore financial services sector.



Central Government Operations and the Public Debt

Central Government Operations

Between January and December 1995, Central Government operations resulted in an overall deficit of \$46.9 mn, or 4.8% of GDP. While this was an improvement of \$18.4 mn in the overall balance over 1994, the current balance deteriorated by \$11.2 mn to \$20.0 mn or 2.0% of GDP, as a result of both a decline in current revenues and an increase in current expenditures.

Total revenue and grants were down by \$7.4 mn to \$276.2 mn during 1995. Current revenues were \$5.2 mn lower at \$259.9 mn, capital revenues increased by \$1.7 mn to \$8.5 mn, and grants fell by \$4.0 mn to \$7.8 mn.

Tax revenues declined by \$2.0 mn to \$232.1 mn. The slippage in tax revenues largely resulted from the \$11.2 mn fall in taxes on income and profits partly as a result of tax relief given to PAYE tax-payers. The fall in income tax collections also reflected a buildup of arrears by self-employed individuals and small businesses during 1995 and underscored the need to improve efficiency in the Income Tax Department.

Notwithstanding a small decline in the value of imports, revenues from taxes on international trade and transactions rose by \$11.2 mn as a result of increased efficiency in revenue collections at Customs Department. Taxes on domestically produced goods and services fell by \$2.0 mn to \$28.1 mn.

Non-tax revenues fell \$3.2 mn to \$27.7 mn. This includes a decline of \$1.9 mn in property income was down by mn this year, \$0.8 mn in extra-budgetary

revenues, and \$0.6 mn in other non-tax collections from the various ministries and departments.

Capital revenue rose by \$1.7 mn to \$8.5 mn, and grants declined by \$4.0 mn to \$7.8 mn. Proceeds from the Economic Citizenship Programme (\$4.3 mn), and the sale of the Albert Cattouse building (\$2.0 mn), accounted for a significant portion of capital revenues. Government received a grant of \$5.0 mn from the Republic of China, Taiwan during the year.

Total expenditure for 1995 fell by \$25.8 mn to total \$323.1 mn. Current expenditures rose by \$6.0 mn to \$239.8 mn as a result of increased outlays on wages and salaries, pensions, interest on public debt, subsidies and current transfers. Capital outlays fell significantly from \$115.0 mn in 1994 to \$83.2 mn in 1995.

On the current side, wages and salaries rose by \$0.9 mn to \$130.4 mn, pensions increased by \$1.4 mn to \$15.1 mn, and interest on the public debt grew by \$3.1 mn to \$24.1 mn. Subsidies and current transfers increased by \$1.9 mn to \$26.0 mn

while expenditures on other goods and services fell by \$1.3 mn to \$44.3 mn.

Government tightened controls over Capital II (domestically financed) expenditures in 1995, limiting it largely to counterpart funds for Capital III (externally funded) projects. As a result, Capital II expenditure fell by \$11.5 mn to \$36.9 mn. Two major externally funded projects were completed in 1995: the New Belize City Hospital, financed by the European Union and the Government of Spain; and the portion of the Stann Creek Valley Road financed by the UK Government.

Table 19: Central Government Operations

	\$'000	
	Jan - Dec 1994	Jan - Dec 1995 ^P
Total Revenue and Grants	283,605	276,198
Current revenue	265,069	259,869
Tax revenue	234,107	232,122
Non-Tax Revenue	30,962	27,747
Capital revenue	6,797	8,543
Grants	11,740	7,786
Total Expenditure	348,828	323,052
Current Expenditure	233,835	239,844
Capital Expenditure	114,993	83,208
Current Balance	31,234	20,025
Overall Balance	(65,223)	(46,854)
Financing	65,223	46,854
Domestic Financing	24,498	33,116
Financing Abroad	27,105	3,662
Other	13,620	10,076

Sources: Ministry of Finance
Central Bank of Belize

P - Provisional



In 1995, domestic financing of the deficit amounted to \$33.1 mn or 3.4% of GDP, compared to \$24.5 mn or 2.6% of GDP during the previous year. Financing from the Central Bank amounted to \$13.0 mn largely through the purchase of Belize Defence Bonds. Government deposits which were transferred from the commercial banks to the Central Bank in January were subsequently used to finance Government activities during the course of the year.

Foreign financing during 1995 amounted to \$3.7 mn, compared with \$27.1 mn the year before. Disbursements were \$15.6 mn lower at \$36.0 mn, while amortization rose by \$8.2 mn to \$32.4 mn.

In an effort to address the fiscal situation, Government implemented a number of measures in 1995. A two-year wage freeze was effected at the beginning of fiscal 1995/96 and the Economic Citizenship Programme was reactivated with a view to raising \$26.6 mn of the \$28.7 mn in budgeted capital revenues. Also incorporated into the 1995/96 budget was a \$2.0 mn reduction in the wage bill to \$130.0 mn, and a 9.0% cutback in goods and services to \$42.1 mn. Capital II was budgeted at \$38.6 mn, down 18.6% from the previous fiscal year.

By the middle of fiscal 1995/96 it was clear that certain budgetary targets would not be achieved - especially capital revenue projected under the Economic Citizenship Programme - and that additional steps would have to be taken so as to reduce the pressure on international reserves.

In the latter part of 1995, revenue-enhancing measures were taken including increases in revenue replacement duties on imported fuel, excise duties on locally produced beer, rum and cigarettes, and customs duties on imported spirits and tobacco products. These

were projected to add \$9.2 mn per annum to current revenues.

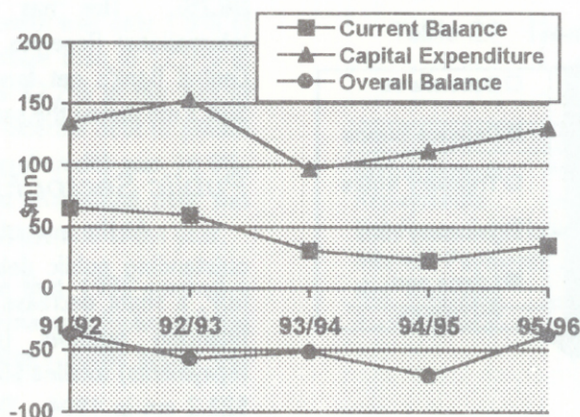
In December, Government announced the retrenchment of 860 public officers, including 160 established staff and 700 'open vote' workers. This reduction in staff is expected to reduce Government's wage bill by \$8.5 mn annually. Initially, however, Government had to finance \$5.9 mn in retrenchment costs. It is not until fiscal year 1996/97, therefore, that the full savings on the wage bill will be realized.

In the context of the global movement towards free trade, international and regional trading arrangements dictate that governments reduce their dependence on taxes on international trade. Under the first phase of CARICOM Common External Tariff (CET), Government will reduce import duties from an average maximum of 45% to between 30% and 35% on April 1, 1996. Government will also be eliminating stamp duties charged on imports, the gross receipts tax and export duties. The repeal of these taxes, along with the reduction in import duties represents a revenue loss of approximately \$60.3 mn. On April 1, 1996 the value added tax (VAT) will be implemented in Belize.

Preliminary estimates indicate that VAT, at a rate of 15%, will yield approximately \$61.5 mn in revenues annually to offset the decline in revenues from customs and stamp duties and the repeal of the gross receipts tax.

Because of the 10% average reduction in import duties and the repeal of stamp duty on imports, which is currently at a rate of 14%, VAT is not expected to have a major impact on imported goods in the medium term. VAT revenues from non-exempt services such as telephone, and locally produced goods, are expected to compensate for loss of tax revenue from international trade. Exports will be zero-rated so as to promote competitiveness in the international market.

Figure 5: Central Government Operations



Fiscal Year = April to March
95/96 = Budget Estimates

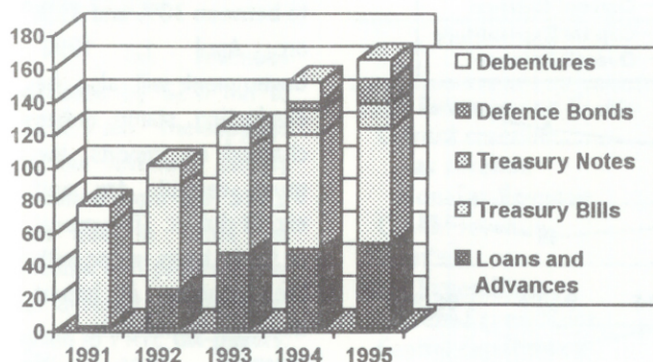


Central Government Domestic Debt

During the year, Central Government's Gross Domestic Debt rose by \$13.9 mn to \$164.1 mn (16.7% of GDP). The debt was comprised of \$52.4 mn in loans and advances, \$70.0 mn in Treasury Bills, \$15.0 mn in Treasury notes, \$15.0 mn in Defence Bonds and \$11.7 mn in debentures.

Government's overdraft facility at the Central Bank rose by \$5.2 mn to \$47.2 mn. Defence Bonds outstanding increased by \$10.0 mn during the year, most of which were purchased by the Central Bank. There were no changes in the level of Treasury Bills and debentures outstanding. The balance owed to the Belize Social Security Board under District Housing Schemes fell by \$1.3 mn to \$5.2 mn.

Figure 6: Central Government's Domestic Debt



At \$70.0 mn, Treasury Bills accounted for 42.7% of domestic debt outstanding, while loans and advances of \$52.4 mn represented 31.9%. Treasury Notes and Defence Bonds each constituted 9.1% of Government's domestic debt, and debentures accounted for 7.1%. At the end of the year, the Central Bank held \$82.1 mn or 50.0% of Government's domestic debt while commercial banks held \$64.1 mn in Government securities which amounted to 39.0% of Government's outstanding domestic debt. The remainder was held by the Social Security Board (\$12.6 mn in securities and loans) and private sector institutions.

Successive increases in Central Government's domestic debt from \$76.0 mn in 1990 to \$164.1 mn in

Table 20: Government Domestic Debt

	(\$mn)		
	1993	1994	1995
Loans & Advances	46.4	48.5	52.4
Treasury Bills	64.2	70.0	70.0
Treasury Notes	0.0	15.0	15.0
Defence Bonds	0.0	5.0	15.0
Debentures	11.7	11.7	11.7
TOTAL	122.3	150.2	164.1

1995 reflected the progressive weakening of Government's fiscal operations. Since the beginning of the 1990's, salary increases given to public officers, increased external borrowing on less concessional terms and high levels of Capital II expenditures have fueled the need to seek internal sources of financing.

Of the \$88.1 mn increase in domestic debt between 1990 and 1995, the Central Bank has absorbed 86.7%. This has put pressure on the Official International Reserves as reflected in the fall in the Central Bank's net foreign position from \$88.6 mn to \$64.3 mn during the same period.

Public Sector External Debt

At the end of December, 1995, the disbursed outstanding public debt was \$367.9 mn or 37.3% of GDP, a slight decrease of \$29,000 over the year. Net financing outflows (disbursements minus principal repayments) totalled \$5.1 mn, compared to net inflows of \$23.2 mn in 1994. There were also positive valuation adjustments of \$5.1 mn largely resulting from the appreciation of the ECU against the US dollar, and an increase in the revaluation factor for IBRD loans.

Disbursements, at \$38.2 mn in 1995, were \$19.5 mn lower than in 1994. Major disbursements included \$10.7 mn in suppliers credit for the Health Infrastructure Project, \$8.6 mn from the Caribbean Development Bank for the San Pedro Water Project, and \$5.0 mn from the Republic of China, Taiwan, for housing in Belize City. The World Bank disbursed \$10.1 mn during the period, of which \$6.2 mn was for the Belize City Infrastructure Project, \$2.2 mn the Second Power Development Project, and \$1.7 mn for the Primary Education Project.

Debt Servicing amounted to \$59.4 mn or 6.0% of GDP, an increase of \$11.4 mn over the previous year



Table 21: External Public Debt

	Dec 1994	Transactions During 1995				Dec 1995 ^P
	Disbursed Outstanding Debt	Disbursements	Principal	Interest	Valuation Adjustments	Disbursed Outstanding Debt
Bilateral	140,761	6,592	13,648	3,527	281	133,986
Multilateral	149,446	20,892	12,639	7,430	3,989	161,688
Commercial Banks	31,546	0	4,176	2,118	0	27,370
Suppliers Credit	46,147	10,718	12,880	2,939	842	44,827
GRAND TOTAL	367,900	38,202	43,343	16,014	5,112	367,871

P - Provisional

which was driven mainly by increased payments on suppliers credit and bi-lateral debt. While the stock of external debt has leveled off over the past two years, debt servicing has climbed from \$30.6 mn in 1991 to \$59.4 mn in 1995. This reflects the increased use of short-term suppliers' credit in the early 1990's. Whereas in 1990 the share of suppliers' credit was only 1.5% of disbursed outstanding debt, its share rose to 12.9% in June of 1994, and fell slightly to 12.2% at the end of 1995. The share of outstanding external debt to private creditors (commercial and suppliers' credit) was 19.6%, while the share of bilateral and multilateral debt was 36.4% and 43.9%, respectively, at the end of the year.

It is significant to note that 1995 marked a turning point with respect to Net Financing Flows and Net Transfers. For the first time, Belize's public sector was

not a net recipient of external funds since more was paid out in the form of principal and interest than was received in the form of loan disbursements. Should this develop into a trend, it will exert pressure on the international reserves.

Table 22: Financial Flows on Public Sector External Debt

	(\$000)		
	1993	1994	1995 ^P
Disbursements	69,428	57,691	38,202
Repayments	20,354	34,486	43,343
Net Financing Flows	49,074	23,205	-5,141
Interest Payments	10,919	13,449	16,014
Net transfers	38,155	9,756	-21,155

P - Provisional



Foreign Trade and Payments

Balance of Payments

Balance of payments estimates for 1995 indicate an overall surplus of US\$4.0 mn, after deficits of US\$18.9 mn and US\$3.7 mn in 1993 and 1994, respectively. The improvement reflected a 22.5% reduction in the trade deficit and an 8.9% rise in unrequited transfers. The capital account recorded a deficit of US\$7.0 mn, a fall from last year's surplus of US\$1.9 mn. At the end of the year, net official international reserves stood at US\$32.2 mn.

The Current Account

The current account deficit declined to US\$21.2 mn from US\$49.0 mn and US\$30.5 mn in 1993 and 1994, respectively. This was largely the result of a US\$19.9 mn contraction in the trade deficit as imports fell by US\$1.5 mn to US\$230.4 mn while domestic exports rose by US\$18.3 mn to US\$161.8 mn. The balance on the services account, at US\$15.5 mn, continued its downward trend since 1992, while net transfers increased by US\$2.6 mn to US\$31.9 mn.

Visible Trade

The US\$1.5 mn decline in the value (f.o.b.) of imports was mainly due to a contraction in imports of manufactured goods for the industrial and construction sectors. This coincided with the reduction of Central Government's Capital II expenditure and the winding down of major Capital III projects such as the new Belize City Hospital and the Stann Creek Valley Road in fiscal year 1995/96. The reduction in manufactured imports outweighed increases in imports of food and live animals, fuels and lubricants, and miscellaneous manufactures.

Domestic exports grew by US\$18.3 mn, as a result of increased earnings from the export of sugar, citrus and marine products. The re-export trade, however, contracted by

Table 23: Gross Imports*

	(US\$m)		
	1993	1994	1995
Food & Live Animals	41.1	38.2	40.1
Beverages & Tobacco	6.9	7.7	7.2
Crude Materials	2.8	2.4	1.7
Fuels & Lubricants	31.2	29.3	29.7
Animal & Vegetable Oil	1.5	1.6	1.7
Chemicals	32.1	27.9	27.7
Manufactured Goods	56.4	52.3	46.1
Machinery & Equipment	73.1	66.7	66.7
Misc. Manufactured Goods	34.8	33.8	37.2
Commodities n.i.e	0.1	0.1	0.1
Total	279.9	259.9	258.3

Source: Central Statistical Office

* c.i.f. by SITC Categories

US\$5.0 mn, mainly because of the depreciation of the Mexican Peso and the resulting contraction in demand for imported consumer goods across the Northern border.

The US remained Belize's most important trading partner in 1995. Of total imports, 54.0% was from the US, 11.0% was from Mexico and 6.2% was from the UK. Of total exports, 46.2% was sold in the UK market and 32.4% was sold in the US.

The past two years have seen a shift of exports away from the US and towards the UK. This was particularly true for citrus products and reflected the better prices found in the UK. In addition, there have been increased sugar exports to the EU as a result of re-allocation of quotas away from other ACP countries.

Exports to Mexico declined 85.5% in 1995 as a result of the depreciation of the Peso late in 1994. At the same time, Belize's imports from Mexico increased 14.3% in 1995. Trade with CARICOM remained relatively stable at a low level. In the last three years, exports to CARICOM countries have

Table 24: Direction of Trade

	Gross Exports						Gross Imports		
	1993			1994			1995		
	1993	1994	1995	1993	1994	1995			
USA	44.7	38.8	32.4	56.6	53.1	54.0			
UK	36.4	40.2	46.2	7.0	7.3	6.3			
MEXICO	2.7	3.8	0.5	3.9	9.6	11.0			
CARICOM	4.7	3.8	3.7	4.3	4.3	4.2			
OTHER	11.5	13.3	17.2	28.2	25.7	24.5			
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0			

Source: Central Statistical Office



accounted for an average of 4.1% of total exports while imports from CARICOM have averaged 4.3% of total imports.

Services

At US\$15.5 mn, net inflows from services were US\$13.2 mn below 1994 levels, primarily as a result of the completion of the withdrawal of the British Forces which started in 1994. As a result, inflows for military operations in Belize fell from US\$12.2 mn in 1994 to US\$3.1 mn in 1995. On the other hand, tourism inflows continued to increase, amounting to US\$75.5 mn in 1995 or 5.7% more than in 1994. Expenditure by Belizeans traveling abroad rose marginally.

Net outflows of investment income were US\$20.7 mn, comparable to the average of US\$19.3 mn over the previous two years. Profits remitted abroad contracted by US\$3.0 mn reflecting a US\$2.4 mn reduction in profits repatriated by the commercial banks. Dividends remitted abroad also fell by \$0.9 mn as outflows by oil and manufacturing companies in Belize declined. However, interest payments made abroad rose by US\$1.4 mn to US\$11.2 mn as interest on private and public sector external loans increased by US\$1.1 mn and US\$0.3 mn, respectively.

The marginal contraction in imports caused a similar fall in freight and insurance payments to foreign shipping agencies and port revenues declined by US\$0.5 mn. Imports of bunker fuel contracted by US\$2.1 mn as the major airlines switched to cheaper sources. Outflows to foreign airline companies rose by US\$1.2 mn to US\$24.2 mn.

During the year, net inward transfers rose by US\$2.6 mn to US\$31.9 mn as inflows to both the public and private sector increased.

Table 25: Balance of Payments

	(US\$mn)		
	1993	1994	1995
A. Current Account	-49.0	-30.5	-21.2
i) Merchandise Trade	-116.6	-88.4	-68.5
Exports (f.o.b.)	134.1	143.5	-161.8
Imports (f.o.b.)	250.6	231.9	230.4
ii) Services (net)	38.2	28.7	15.5
Travel	48.8	52.7	54.6
Investment Income	-18.6	-20.1	-20.7
iii) Transfers (net)	29.4	29.3	31.9
Official	13.9	14.8	15.1
Private	15.5	14.5	16.8
B. Capital Account	43.3	1.9	-7.0
i) Long Term Capital flows (net)	38.5	21.5	13.7
Official	23.0	7.0	-4.0
Private	15.5	14.5	17.7
ii) Short Term Capital Flows (net)	4.8	-19.6	-20.7
C. Net Errors and Omissions	-13.2	-24.9	32.2
D. Change in Reserves (- = increase)	18.9	3.7	-4.0
Memo Items: Current Account/GDP (%)	-10.9	-6.5	-4.3
Import Cover (Months)	1.7	1.2	1.5
P - Provisional			

The Capital Account

The capital account balance declined to a deficit of US\$7.0 mn, largely reflecting the reduction in foreign liabilities by the commercial banks. Official capital outflows of US\$4.0 mn on foreign debt operations were recorded. Net long term private capital inflows of US\$17.7 mn were recorded, an increase of 22.1% during the year which reflected an expansion in foreign borrowing by the domestic private

sector and inward investment in real estate.

Official International Reserves

At the end of 1995, net official international reserves stood at US\$32.2 mn equivalent to 1.5 months of imports. This was US\$4.0 mn above the 1994 level. The rise in the official reserves reflect a US\$3.1 mn increase in the Central Bank's gross foreign exchange holdings and a US\$0.9 mn fall in foreign liabilities. Central Government's foreign reserves were virtually unchanged over the year.

Table 26: Official International Reserves

	(US\$000)		
	1993	1994	1995
1. Gross Official Reserves	38,641	34,332	37,463
Central Bank of Belize	31,890	27,414	30,561
Holdings of SDRs	406	554	699
IMF Reserve Tranche	4,103	4,279	4,323
Other	27,382	22,582	25,539
Central Government	6,751	6,918	6,903
2. Foreign Liabilities	6,808	6,207	5,311
CDB	2	5	34
CARICOM	102	218	79
Other	6,704	5,985	5,199
3. Net Official Reserves	31,834	28,125	32,152



Economic Prospects

The Belizean economy is expected to continue to improve in 1996. Economic growth is projected to approximate 4.5% as a result of moderate growth in the productive sectors and strengthening of Central Government's financial situation.

Production of sugar is projected to reach 105,000 long tons, slightly lower than the 1995 figure of 105,344 long tons as heavy flooding experienced in the north of the country during 1995 is expected to negatively affect the 1995/96 crop. Sugar exports are expected to decline by 1.2% to 91,200 long tons and earnings should decrease by 5.8% to \$90.0 mn. Exports to the USA are expected to rise by 27.7% over the 1995 figure to 18,000 long tons, as an additional 5,000 long tons has been added to our base quota of 13,000 long tons given the expected shortfalls by domestic suppliers in the USA. Exports to the EU are expected to decline by 4,538 long tons or 8.3% as a result of recovery in the domestic beet sugar industry and the cane sugar industries in those ACP countries affected by unfavourable weather conditions in 1995.

Citrus production is expected to go into its cyclical downswing in 1996 and, as a result, growth in production should slow to 20.0% with 5.2 mn boxes to be delivered to the processors in 1996. Citrus export earnings, however, are expected to improve by 24.3% to \$70.3 mn based on projected increases in the world market prices for citrus products as a result of a decline in production in Florida caused by cold weather experienced late in 1995.

Banana production is expected to improve significantly in 1996, with output increasing to 58,775 metric tons, exceeding the 55,000 metric tons this year. Export earnings are projected to rise by approximately 22% to \$61.0 mn including a quality bonus of \$19.0 mn. Indications are that banana prices will remain relatively stable at the 1995 level.

Marine exports are expected to decrease by approximately 7.3% to \$29.0 mn as the production of farmed shrimp declines due to the effects of the taura virus which has been identified in some shrimp farms in Belize. World market prices for conch, whole cooked lobster and lobster tail are expected to improve from their

1995 prices by about 2%.

Fiscal performance should continue to strengthen during the fiscal year 1996/97, as the Government continues its efforts to reduce the fiscal deficit. The retrenchment of public officers which commenced in late 1995 and the commitment by the Government to reduce expenditure on goods and services is estimated to yield significant savings in 1996/97. Government has indicated that steps will be taken to improve the efficiency of the revenue collecting agencies such as the Income Tax Department. In addition, the Government has agreed, with the Government of the Republic of China Taiwan, the terms of a loan of US\$26.0 mn which is intended to refinance the more burdensome commercial debt and suppliers credit which are presently outstanding. The new loan will be for a period of 20 years at 5% interest, with a grace period of 5 years on principal repayments.

The implementation of the VAT on April 1, 1996 together with the introduction of the first phase of the revised CARICOM CET, the removal of stamp duty on imports and the repeal of the gross receipts tax should result in a marginal net increase in revenue of \$1.2 mn annually. However, the impact of VAT on production for the local market is difficult to predict since VAT will result in an increase in prices of domestically produced goods and services which are consumed in the domestic market.

Tourist arrivals are expected to increase by between 6% and 8% as a result of promotional campaigns in the international marketplace. The BTB has launched a billboard advertisement in southern US which is the major eco-tourism market for Belize. Tourist expenditure is expected to rise by 9.1% as arrivals from Europe increase and the stay-over time for European tourists is normally longer than those from North America.

The passage of the Offshore Banking Bill and anti-money laundering legislation in 1996 should strengthen the prospects for the country as an offshore financial jurisdiction. The sector has potential for generating revenues for the public sector, through fees and licenses, and employment opportunities for offshore service providers in the legal and accounting professions.



OPERATIONS

Foreign Exchange Operations

The Central Bank deals in foreign currencies with authorised dealers and Central Government on a daily basis. Transactions occur primarily in the US Dollar, the Pound Sterling and the Canadian Dollar.

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

Table 27: Central Bank Dealings in Foreign Exchange 1995

Month	US & Canadian Dollars and £ Sterling			CARICOM Currencies		
	Purchases	Sales	Net	Purchases	Sales	Net
January	7.8	14.7	-6.9	0.0	0.3	-0.3
February	4.4	11.3	-6.9	0.0	0.1	-0.1
March	11.0	11.9	-0.9	0.0	0.4	-0.4
April	8.7	9.9	-1.2	0.0	0.3	-0.3
May	16.7	6.1	10.6	0.0	0.1	-0.1
June	14.1	15.8	-1.7	0.0	0.1	-0.1
July	25.1	13.0	12.2	0.0	0.3	-0.3
August	6.9	11.0	-4.0	0.0	0.2	-0.2
September	12.0	10.4	1.6	0.0	0.1	-0.1
October	9.2	12.1	-3.0	0.0	0.2	-0.2
November	14.9	4.6	10.4	0.0	0.1	-0.1
December	14.1	16.6	-2.6	0.0	0.1	-0.1
Total	144.8	137.3	7.5	0.1	2.4	-2.3

In 1995, the Bank's trading in US dollars, Canadian dollars and the Pound Sterling resulted in a net purchase of \$7.5 mn. There also were net sales of CARICOM currencies of \$2.3 mn. Trading in CARICOM currencies was largely in Barbados and Eastern Caribbean dollars.

External Assets Ratio

During 1995, the external assets of the Bank consisted of foreign currency, deposits with central banks and correspondent banks

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's liabilities to its customers in respect of its sight and time deposits. Between February and April this ratio was below the legal requirement reaching a low of 36.40%. The ratio peaked at 54.96% in November. At the end of December 1995, the external assets ratio stood at 48.0%.

Table 28: External Assets Ratio 1995

Month	Approved External Assets (\$'000)	Demand Liabilities (\$'000)	External Assets Ratio
January	47,630	107,882	44.15
February	40,383	101,126	39.93
March	39,309	107,722	36.49
April	37,712	103,593	36.40
May	47,920	115,380	41.53
June	46,178	107,008	43.15
July	60,052	119,562	50.23
August	55,488	106,600	52.05
September	56,873	121,004	47.00
October	53,524	117,263	45.64
November	63,658	115,832	54.96
December	60,737	126,422	48.04



Domestic Operations

Currency in Circulation

At the end of December 1995, currency in circulation stood at \$71.3 mn, \$5.0 mn higher than the end of 1994. Notes in circulation increased by \$4.4 mn while total coins in circulation increased by \$0.7 mn. Commercial banks' vault cash increased by \$0.4 mn

Cash Balances

For the period January to November, 1995, the commercial banks were required to maintain 5% of their average deposit liabilities on deposit with the Central Bank.

Table 29: Currency in Circulation

Month	Notes	Coins	Total	(\$mn)	
				Commercial Banks Vault Cash	Currency with the Public
January	55.0	6.2	61.2	7.6	53.6
February	56.0	6.2	62.2	7.8	54.4
March	58.0	6.4	64.4	5.9	58.5
April	59.9	6.4	66.4	5.4	61.0
May	59.6	6.5	66.2	9.6	56.6
June	59.3	6.6	65.9	6.9	59.1
July	61.5	6.6	68.1	7.8	60.3
August	60.0	6.7	66.6	7.9	58.7
September	60.3	6.7	67.0	6.2	60.7
October	59.1	6.7	65.8	9.3	56.5
November	61.5	6.7	68.2	9.1	59.1
December	64.4	6.9	71.3	9.9	61.4

bringing currency with the public to \$61.4 mn, an increase of \$4.7 mn.

Currency in circulation displayed the usual seasonal pattern in 1995, peaking in July and December.

With effect December 1, 1995, however, the cash reserve requirement increased to 7%. During 1995, the actual average cash balances held with the Central Bank fluctuated between 5.4% and 7.3%.

Table 30: Commercial Bank Balances with Central Bank

Month	\$mn			
	Average Deposit Required Minimum Liabilities	Required Minimum Balance	Actual Balances Held	Excess/ (Shortfall)
January	495.5	24.8	28.9	4.1
February	479.4	24.0	26.4	2.4
March	479.4	24.0	25.9	1.9
April	499.8	25.0	25.9	0.9
May	505.3	25.3	26.7	1.4
June	514.2	25.7	29.8	4.1
July	520.1	26.0	33.9	7.9
August	529.9	26.5	33.6	7.1
September	539.2	27.0	27.9	1.0
October	543.3	27.2	30.9	3.7
November	549.8	27.5	31.6	4.1
December	560.9	39.3	41.1	1.8



Table 31: Central Bank Credit to Government

Month								\$(mn)	
	Treasury Bills	Treasury Notes	Defence Bonds	Other Securities	Total Securities	Overdraft Balance	A	B	
January	38.1	0.0	0.0	4.7	42.8	32.8	2.31	13.12	
February	29.1	0.0	0.0	4.7	33.8	37.4	1.83	14.96	
March	32.4	0.0	0.0	4.7	37.0	42.8	2.00	17.12	
April	27.6	0.0	0.0	4.7	32.3	44.1	1.75	17.63	
May	28.2	0.0	0.0	4.7	32.9	48.6	1.78	19.43	
June	21.9	0.0	0.0	4.7	26.5	47.8	1.43	19.13	
July	24.5	0.0	0.0	4.7	29.1	46.8	1.57	18.72	
August	14.0	0.0	0.0	4.7	18.6	49.6	1.01	19.83	
September	20.7	0.0	10.0	4.7	35.4	46.2	1.91	18.49	
October	17.2	0.0	10.0	4.7	31.9	49.3	1.72	19.74	
November	6.7	0.0	10.0	4.7	21.4	48.3	1.16	19.33	
December	10.4	9.8	10.0	4.7	34.9	47.2	1.88	18.90	

A = Central Bank holdings of Government Securities as a multiple of Central Bank's paid up capital and reserves.

B = Advances to Government as a percentage of \$249,940 - Government's current revenue collected for fiscal year 1993/1994

Transactions with Central Government

Under Section 34 of the Central Bank of Belize Act, 1982 as amended in 1993, the Bank may extend advances to 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 1995, 20% of the preceding year's current revenue amounted to \$49,988,000. Advances to Central Government reached a high of \$49.6 mn during August 1995 but was reduced to \$47.2 mn by the end of the year.

The Central Bank may hold Government of Belize securities up to a maximum of five times the Bank's paid-up capital and reserves. In January of 1995, the Central Bank's holdings of Government securities was \$42,751,800, 2.31 times the Bank's paid-up capital and reserves, the highest for the year.

Government Securities Operations

Treasury Bills

Treasury Bill operations are conducted by the Central Bank on behalf of the Government of Belize. The Treasury Bill market continues to be dominated by the commercial banks and purchases by individuals remain insignificant.

The bidding process introduced in 1992 for the determination of the yield on Treasury Bills remained in effect in 1995. The commercial banks continued to bid competitively and, as a result, Treasury Bill yields declined from 4.2% in June to 4.0% in December. Total Treasury Bills outstanding as at December 31, 1995 was at its maximum of \$70.0 mn.

Treasury Notes

Under the Treasury Bill Act as amended in 1993, The Government of Belize may issue up to \$25.0 mn in Treasury Notes. As at December 31, 1995, Treasury Notes outstanding amounted to \$15.0 mn, the same as at the end of 1994. Of that amount, the Central Bank held \$9.8 mn and the commercial banks held \$5.0 mn. The remainder was held by private sector institutions and persons. Treasury Notes have a one year maturity period and carry a rate of interest of 9%.

Defence Bonds

Government may issue up to \$25.0 mn in Defence Bonds. There were two issues outstanding at the end of 1995. Issue Number 1/1994 amounting to \$5.0 mn at an interest rate of 8% was held largely by the Social Security Board. Issue Number 1/1995 amounting to \$10.0 mn at an interest rate of 9% was held by the Central Bank. Defence Bonds have a five year maturity period.



Table 32: Government of Belize Treasury Bill Issues

Issue Number	Issue Date	Tender (\$'000)	Allotment (\$'000)	Average Discount Rate	Average Yield to Maturity
1/1995	1/12/95	18,400	15,400	4.16	4.20
2/1995	2/9/95	13,150	13,150	4.16	4.20
3/1995	2/21/95	5,841	5,842	4.16	4.20
4/1995	3/23/95	35,608	35,608	4.11	4.15
5/1995	4/13/95	15,400	15,400	4.07	4.11
6/1995	5/11/95	13,150	13,150	4.07	4.11
7/1995	5/23/95	9,342	5,842	4.07	4.11
8/1995	6/22/95	35,608	35,608	4.15	4.20
9/1995	7/13/95	22,600	15,400	4.12	4.16
10/1995	8/10/95	13,150	13,150	4.12	4.16
11/1995	8/22/95	5,842	5,842	4.14	4.18
12/1995	9/20/95	35,608	35,608	4.10	4.15
13/1995	10/12/95	19,900	15,400	4.09	4.13
14/1995	11/9/95	13,150	13,150	4.01	4.04
15/1995	11/21/95	6,841	5,842	3.99	4.03
16/1995	12/20/95	44,608	35,608	3.98	4.01

Inter-Bank Market

On August 16, 1995, the Inter-bank Market was officially introduced. The primary objective of this facility is to provide the commercial banks with a mechanism to profitably re-deploy their excess cash holdings within the banking system. In essence, the market allows a member bank who is experiencing a cash shortfall, to borrow from another bank which is holding excess cash. This is done by way of a short-term loan which bears interest at a rate determined by the Central Bank. This mechanism would reduce the need for banks to seek support from the Central Bank or sources outside of the Banking system.

The Inter-Bank Market is managed by the Central Bank in a manner similar to the Banker's Clearing House.

Since the inception of the Inter-Bank Market on August 16, 1995, offers to place funds for borrowing were made by member banks, however, none was

accepted. This is indicative of the strong cash position experienced by the commercial banks during 1995.

Supervision of the Financial System

The Central Bank supervises the commercial banks to ensure compliance with legal requirements and to promote prudent banking practices. This is accomplished through both on-site examinations and off-site monitoring of returns submitted by the commercial banks to the Central Bank.

In 1995, two full scope examinations and one limited scope examination were completed. The Central Bank also monitors credit concentrations in the banking system in excess of 25% of bank equity. Up to the end of 1995, this was done through the processing of applications under Section 13 (1) (a) of the Banking Act of 1976. Under the new BFIA, this falls under Section 21(2). In 1995, 17 such applications totaling \$112.4 million were approved.



ADMINISTRATION

The Board of Directors

The Board of Directors held 10 meetings during the year, keeping within its statutory requirements, and considered 72 submissions.

Overseas Meetings

During 1995 the Governor attended a number of meetings and conferences, including:

- The CARICOM Central Bank Governors Meetings held in Trinidad & Tobago (February) and Barbados (November);
- The Annual Meeting of the Board of Governors of the Inter-American Development Bank in Israel (April);
- The 25th Annual Meeting of the Board of Governors of the Caribbean Development Bank in Jamaica (May);
- The Annual Meeting of Central Bank Governors in London (June);
- Summit of the Americas Committee on Hemispheric Financial Issues in Washington, DC (July);
- Commonwealth Finance Ministers Meeting in Jamaica (October);
- IMF/World Bank Annual Meetings in Washington (October); and
- A Symposium on International Reserve Management in Miami (December).

In addition, the Governor traveled abroad in connection with government business.

During 1995 the Deputy Governor attended the following meetings and conferences:

- The Meeting of the McIntyre Committee on Financing Caribbean Development in Jamaica (January);
- A Seminar on Fixed Income Investments in New York (April);
- The CARICOM Central Bank Governors Meeting in the Bahamas (May);

- The Meeting of Senior Finance Officials of CARICOM in Guyana (June); and
- The IMF/World Bank Annual Meetings in Washington (October).

Central Bank New Headquarters Building

Phase I of the Central Bank's New Headquarters Building Project proceeded on schedule with several important milestones being passed in 1995. In the first half of the year, a detailed Client's Requirements Document was completed and used as the basis for a design and build competition among interested and qualified contractors' teams. Seven pre-qualified firms were interviewed and four were selected to participate in the design and build competition.

Contractors bids, including blueprints, scale models and cost details, were received in early August and assessed on the basis of price/value for money, programme, functionality, technical merit, team approach, aesthetics and impact. The proposal submitted by Kier International and designed by Repole Architects of Jamaica was selected. This particular design presented an ambiance of strength and stability while paying respect to Belize's cultural heritage. This design met and, in some instances, exceeded the requirements at an estimated construction cost of \$22.3 mn.

A Part I agreement with Kier to develop and finalize all design details was initiated in October with the expectation that Part II, or the construction phase, could be entered into in March of 1996.

In December, the Central Bank officially launched the New Headquarters Building Project at the Bliss Institute in Belize City. In his remarks, the Governor noted that the Bank is implementing the project within an overall budget of \$30.0 mn which includes: the cost of construction, furniture and fittings, contingencies, consultancy fees, insurance and landscaping of the site.

Management Information Systems (MIS)

During 1995, a Bank-wide network was established connecting the UNIX server in the MIS Unit, the two UNIX servers in the Research Department, a



terminal server in the Finance Department, and a terminal server in the Banking and Currency Department,

Development of the Advice Voucher System (AVS), which was initiated in 1994, was completed and was scheduled for full implementation in January 1996. The AVS is an on-line system that includes an accounting module that mirrors the Accounts Maintenance System General Ledger. It is used as a Banking System and provides on-line balances on current, committed, and future account balances. The AVS provides a variety of reports including transaction summaries; periodic ledger listing; and daily, weekly and monthly financial statements.

During the year, a proposed Information Systems Plan to guide the future of management information systems in the Bank was submitted for Management's consideration.

Human Resources

Staffing

A total of 120 persons were employed with the Bank at the end of 1995.

During the year, the Security Unit was restructured. At its full complement the Unit will have a staff of twenty including four security supervisors, fifteen security guards and a Chief of Security who reports directly to the Governor. At the end of the year, the Chief of Security, four security supervisors and eight security guards manned the Unit supplemented by guards from a private security firm.

Awards in recognition of ten years of service were granted to Miss Andrea McKoy, Mrs. Concepcion Flores, Mrs. Nadia Usher and Mr. Peter Usher at the Bank's Christmas party.

Training

Three members of staff completed university training abroad in 1995. One completed a Bachelors Degree in Economics and Management while two others completed Masters Degrees - one in Economics and one in Finance. A fourth staff member is expected to complete a Masters Degree in Economics in 1996.

In keeping with the Bank's policy of on-going training and development to improve key competencies of its staff, staff members represented the Bank at international conferences and training seminars in the areas of Banking Supervision, Information Systems Technology, and Economics.

Training seminars attended in 1995 included:

- A CEMLA Seminar on Business Cycles;
- Economic Modeling and Forecasting Seminar
- Insurance Regulation Seminar; and
- Federal Deposit Insurance Corporation - Loan Analysis (Assistant Examiner School III).

Meetings and conferences attended by management and professional staff in 1995 included:

- The Planning Session for the 1995 Annual Conference of Regional Central Banks Specialists;
- XXVII Annual Monetary Studies Conference;
- 47th Annual Human Resources Conference and Exposition;
- Working Level Conference on Money Laundering;
- 1995 Annual Conference of Regional Central Banks Specialists;
- Annual International Monetary Fund and World Bank Annual Meeting;
- XXXII Meeting of Governors of Latin America, Spain and the Philippines;
- XXII Assembly of the Association of Banking Supervisory Authorities of Latin America and the Caribbean;
- Meeting of the Summit of the Americas Committee on Hemisphere Issues; and
- Meeting of CARICOM Central Bank Technicians on Currency Convertibility.

Members of staff also participated in seminars sponsored by the Belize Institute of Management. All members of the MIS Unit attended a course on Network Design and Implementation at the University College of Belize. All senior Secretaries participated in the training package offered by the Professional Secretaries International (Belize Chapter).



Statistical Appendix

Table 33: Gross Domestic Product, by Industrial Origin, At Factor Cost

	Constant (1984) prices (\$'000)				
	1991	1992	1993	1994	1995 ^P
Gross Domestic Product	588,215	644,173	672,176	682,446	708,289
Primary Activities	115,193	131,644	131,993	135,133	143,757
Agriculture	77,892	89,688	89,062	91,486	98,528
Forestry & Logging	17,354	18,023	16,999	19,271	16,647
Fishing	14,660	18,789	20,531	19,467	23,303
Mining	5,287	5,145	5,402	4,910	5,278
Secondary Activities	152,835	166,530	179,800	174,412	180,385
Manufacturing	97,970	105,416	110,381	115,637	120,674
Electricity & Water	11,089	12,042	13,334	14,193	14,652
Construction	43,776	49,073	56,086	44,582	45,060
Service	340,409	367,932	382,980	395,742	407,855
Trade, Restaurants, Hotels	107,750	114,445	118,792	124,012	127,167
Transport & Communications	78,227	92,583	98,247	99,475	103,898
Finance & Insurance	28,542	30,573	31,839	33,155	34,416
Real Estate & Bus. Services	30,265	31,713	33,008	34,444	36,065
Public Administration	51,793	53,627	54,913	57,122	57,537
Comm. & Other Services	43,832	44,991	46,181	47,533	48,772
Less imputed bank service charges	32,179	36,267	37,295	38,375	39,485

Source: Central Statistical Office

P - Provisional



Table 34: Balance of Payments

US\$ mn

	1993			1994			1995 ^P		
	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net
Current Account	324.0	373.0	-49.0	322.7	353.2	-30.5	335.2	356.4	-21.2
Visible Trade	134.0	250.6	-116.5	143.5	231.9	-88.4	161.8	230.4	-68.6
Invisible Trade	156.3	118.0	38.2	144.8	116.2	28.7	136.3	120.8	15.5
Factor Income	6.0	25.9	-19.9	6.6	28.4	-21.9	6.6	29.2	-22.6
Labour Income	3.4	4.7	-1.2	3.7	5.3	-1.6	4.1	5.7	-1.7
Property Income	0.1	0.1	-0.1	0.0	0.2	-0.2	0.2	0.5	-0.3
Investment Income	2.5	21.1	-18.5	2.9	22.9	-20.1	2.3	23.0	-20.7
Non-Factor Income	150.2	92.2	58.1	138.3	87.8	50.5	129.8	91.6	38.1
Shipment	0.0	30.9	-30.9	0.0	28.6	-28.6	0.0	28.4	-28.4
Other Transport	12.3	10.8	1.5	11.4	11.0	0.3	8.8	12.2	-3.4
Travel	69.3	20.5	48.8	71.4	18.6	52.7	75.4	20.8	54.6
Other Goods & Services	68.7	30.0	38.7	55.5	29.5	26.0	45.5	30.2	15.3
Official N.I.E.	35.2	8.5	26.7	24.9	5.9	19.0	15.4	6.4	9.0
Private N.I.E.	33.5	21.5	12.0	30.6	23.6	7.0	30.1	23.8	6.3
Total Goods and Services Income	290.3	368.6	-78.3	288.3	348.0	-59.7	296.3	351.2	-53.1
Transfers	33.8	4.4	29.4	34.4	5.2	29.3	37.0	5.2	31.9
Official	15.3	1.5	13.8	16.0	1.2	14.8	16.5	1.4	15.1
Private	18.5	2.9	15.5	18.4	3.9	14.5	20.5	3.7	16.8
Capital Account (excluding reserves)	82.9	39.6	43.4	56.6	54.7	1.9	56.5	63.5	-7.0
Long Term Capital	55.5	17.0	38.5	49.9	28.4	21.5	51.0	37.3	13.7
Official	34.9	11.9	23.0	26.1	19.1	7.0	19.1	23.2	-4.0
Private	20.6	5.1	15.5	23.9	9.3	14.5	31.9	14.2	17.7
Direct Investment	13.6	2.1	11.6	12.0	3.4	8.6	11.0	4.5	6.5
Other	7.0	3.0	4.0	11.9	5.9	6.0	20.9	9.7	11.2
Short Term Capital	27.4	22.6	4.8	6.6	26.2	-19.6	5.5	26.1	-20.7
Commercial Banks change in foreign reserves	18.7	11.6	7.2	0.0	12.6	-12.6	0.0	13.8	-13.8
Portfolio	7.0	0.0	7.0	6.1	0.0	6.1	3.5	0.0	3.5
Other	1.7	11.0	-9.3	0.5	13.7	-13.2	2.0	12.4	-10.4
Errors & Omissions			-13.3			24.9			32.2
Change in Reserves	21.2	2.3	18.9	4.5	0.8	3.7	0.0	4.0	-4.0

P - Provisional

N.I.E - not included elsewhere



Table 35: External Public Debt

	Dec 1994 Disbursed Outstanding Debt	Transactions During 1995				Dec 1995 ^P
		Disbursements	Amortization	Interest Payments	Valuation Adjustments	Disbursed Outstanding Debt
CENTRAL GOVERNMENT	286,713	36,047	32,415	12,068	3,156	293,501
Caribbean Development Bank	21,783	8,626	365	1,024	78	30,122
European Economic Community	23,546	0	342	247	1,083	24,287
Int'l Bank for Reconstruction Dev.	38,887	10,111	3,664	3,025	798	46,132
Int'l Fund for Agricultural Dev.	2,944	0	439	144	76	2,581
Gov't of United Kingdom	50,253	1,592	5,888	14	-392	45,565
Gov't of Trinidad and Tobago	83	0	3	2	-22	58
Gov't of United States of America	45,994	0	1,860	1,199	0	44,134
Suppliers Credit	43,832	10,718	11,709	2,733	840	43,681
OPEC Fund for International Dev.	2,100	0	200	108	0	1,900
Instituto Nazionale di Credito	27,746	0	3,976	1,877	0	23,770
Government of China	827	0	0	0	0	827
Export/Import Bank of Taiwan	6,388	5,000	678	365	0	10,710
Fondo de Inversiones de Venezuela	9,321	0	1,163	819	0	8,158
Export/Import Bank of USA	6,877	0	1,726	404	0	5,151
Government of Spain	6,132	0	402	107	695	6,425
REST OF NON-FINANCIAL PUBLIC SECTOR	36,730	0	5,487	1,900	1,633	32,876
Caribbean Development Bank	18,292	0	2,094	641	-108	16,090
Intl. Bank for Reconstruction Dev.	11,955	0	1,402	789	1,740	12,293
Commonwealth Development Corporation	1,730	0	444	145	-1	1,285
Export/Import Bank of Taiwan	2,438	0	376	119	0	2,062
Suppliers Credit	2,315	0	1,171	206	2	1,146
FINANCIAL PUBLIC SECTOR	44,457	2,155	5,441	2,046	323	41,494
Caribbean Development Bank	22,261	2,155	1,934	981	130	22,612
European Economic Community	4,398	0	977	203	198	3,619
Commonwealth Development Corporation	1,550	0	778	123	-5	767
Paine Webber Real Estate Securities Inc.	3,800	0	200	241	0	3,600
Gov't of United States of America	5,573	0	300	165	0	5,273
Export/Import Bank of Taiwan	6,875	0	1,252	333	0	5,623
TOTAL	367,900	38,202	43,343	16,014	5,112	367,871

P - Provisional



Table 36: Government of Belize - Revenue and Expenditure

\$'000

	Fiscal Year 92/93	Fiscal Year 93/94	Fiscal Year 94/95	Estimated Budget Fiscal Year 1995/96	Calendar Year 1995 ^P	Calendar Year 1994 ^R
TOTAL REVENUE & GRANTS (1+2+3)	281,436	264,994	280,542	330,831	276,198	283,605
1). Current revenue	245,787	249,940	263,045	273,540	259,869	265,069
Tax revenue	207,208	219,282	231,812	245,215	232,122	234,107
Income and profits	60,086	60,192	63,709	72,000	57,583	68,753
Taxes on property	2,711	1,218	1,660	1,855	1,386	1,478
Taxes on goods and services	20,994	29,442	29,154	30,592	28,097	30,067
Int'l trade and transactions	117,607	123,270	130,739	134,368	138,537	127,344
Other	5,809	5,160	6,549	6,400	6,519	6,466
Non-Tax Revenue	38,580	30,658	31,234	28,325	27,747	30,962
Property income	2,441	1,404	3,637	1,200	1,719	3,638
Contributions to pension fund	392	281	318	288	292	320
Transfers from NFPE's	3,378	1,421	1,732	1,850	1,745	1,569
Extra-budgetary revenue	1,573	2,012	2,398	2,390	1,946	2,762
Other	30,796	25,541	23,149	22,598	22,046	22,672
2). Capital revenue	34,890	8,101	4,231	28,685	8,543	6,797
3). Grants	758	6,953	13,265	28,606	7,786	11,740
TOTAL EXPENDITURE (1+2)	334,937	347,361	350,954	368,320	323,052	348,828
1). Current Expenditure	190,432	219,241	239,859	237,906	239,844	233,835
Wages and Salaries	104,619	120,534	131,858	130,101	130,387	129,446
Pensions	11,438	12,650	14,534	15,390	15,148	13,779
Goods and Services	43,990	45,039	46,094	42,075	44,302	45,639
Interest Payments on Public Debt	11,052	20,826	21,827	24,679	24,054	20,951
Subsidies & current transfers	19,333	20,192	25,547	25,661	25,952	24,019
2). Capital Expenditure	144,505	128,121	111,094	130,414	83,208	114,993
Capital II (local sources)	85,779	62,069	47,387	38,604	36,926	48,436
Capital III (foreign sources)	52,047	63,558	60,537	87,881	43,833	63,385
Capital Transfer	6,679	2,494	3,170	3,929	2,449	3,173
CURRENT BALANCE	55,355	30,699	23,186	35,634	20,025	31,234
OVERALL BALANCE	(53,501)	(82,367)	(70,412)	(37,489)	(46,854)	(65,223)
FINANCING	53,501	82,367	70,412	37,489	46,854	65,223
Domestic Financing	26,523	47,711	39,070	10,860	33,116	24,498
Central Bank	48,197	27,521	14,452		13,013	3,855
Net Borrowing	45,260	22,114	5,688		14,099	6,396
Change in Deposits	2,937	5,407	8,764		(1,086)	(2,541)
Commercial Banks	(22,018)	20,028	24,746		19,693	20,726
Net Borrowing	(8,471)	(2,416)	(2,965)		972	14,020
Change in Deposits	(13,547)	22,444	27,711		18,721	6,706
Other Domestic Financing	344	162	(128)		410	(83)
Financing Abroad	43,431	39,782	19,484	26,629	3,662	27,105
Disbursements	51,289	56,605	47,272	59,275	36,047	51,645
Amortization	(7,620)	(15,120)	(27,905)	(33,646)	(32,415)	(24,207)
Sinking Fund & JCF	(238)	(1,703)	117	1,000	30	(333)
Other	(16,453)	(5,126)	11,858		10,076	13,620

Source: Ministry of Finance
Central Bank of Belize

P - Provisional
R - Revised



Auditor's Report

CENTRAL BANK OF MALTA
INDEPENDENT AUDITOR'S REPORT
ON
FINANCIAL STATEMENTS
YEARS ENDING DECEMBER 31, 1995 AND 1994

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

CENTRAL BANK OF BELIZE
INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 1995 AND 1994

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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, 1995 and 1994 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, 1995 and 1994 and the results of its operations and cash flows for the years then ended in conformity with International Accounting Standards.

Deloitte & Touche

April 3, 1996

CENTRAL BANK OF BELIZE


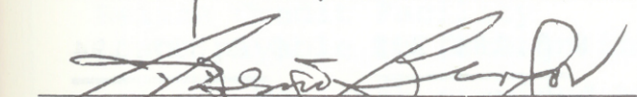

BALANCE SHEETS

<u>ASSETS</u>	<u>NOTES</u>	<u>December 31,</u>	
		<u>1995</u>	<u>1994</u>
APPROVED EXTERNAL ASSETS	4b		
Balances and deposits with foreign bankers and Crown Agents		\$ 6,090,728	\$ 12,130,204
Reserve Tranche and balances with the International Monetary Fund	5	10,043,628	9,534,120
Marketable securities issued or guaranteed by foreign governments and international financial institutions		4,501,685	14,294,155
Other foreign credit instruments		39,703,994	17,823,636
Accrued interest and cash intransit		622,476	727,076
Total approved external assets		<u>60,962,511</u>	<u>54,509,191</u>
BELIZE GOVERNMENT SECURITIES	6	34,784,212	25,943,390
BELIZE GOVERNMENT CURRENT ACCOUNT	7	44,044,819	40,282,244
LOANS TO THE PUBLIC SECTOR	8	7,187,831	8,124,225
LOANS TO LICENSED FINANCIAL INSTITUTIONS	9	-	3,000,000
BALANCES WITH LOCAL BANKERS AND CASH ON HAND		162,108	175,682
OTHER ASSETS	10	5,204,881	3,553,630
PROPERTY AND EQUIPMENT	11	3,103,789	3,046,624
TOTAL ASSETS		<u>\$155,450,151</u>	<u>\$138,634,986</u>

CENTRAL BANK OF BELIZE

BALANCE SHEETS (Continued)

<u>LIABILITIES, CAPITAL AND RESERVES</u>	<u>NOTES</u>	<u>December 31,</u>	
		<u>1995</u>	<u>1994</u>
DEMAND LIABILITIES			
Notes and coins in circulation		\$ 71,310,701	\$ 66,267,628
Deposits by licensed financial institutions	12	38,144,278	27,329,697
Deposits by and balances due to Government and Public Sector Entities in Belize		6,539,563	4,645,852
Deposits by international agencies	13	4,840,337	5,103,102
		<u>120,834,879</u>	<u>103,346,279</u>
BALANCES DUE TO CARICOM CENTRAL BANKS		157,249	434,817
OTHER LIABILITIES		407,116	539,410
COMMERCIAL BANK DISCOUNT FUND	14	2,723,464	2,794,857
BELIZE CREDIT FACILITY	15	711,929	573,474
LOANS PAYABLE TO FOREIGN INSTITUTIONS	16	5,625,000	6,875,000
CONSTRUCTION BONDS	17	5,000,000	5,000,000
Total liabilities		<u>135,459,637</u>	<u>119,563,837</u>
REVALUATION ACCOUNT	19	690,705	567,913
CAPITAL ACCOUNT			
Paid up capital		10,000,000	10,000,000
(Authorized capital \$10,000,000)			
GENERAL RESERVE FUND	18	9,299,809	8,503,236
TOTAL LIABILITIES, CAPITAL AND RESERVES		<u><u>\$155,450,151</u></u>	<u><u>\$138,634,986</u></u>


 _____) GOVERNOR

 _____) DIRECTOR

 _____) MANAGER, FINANCE

See notes to financial statements.

CENTRAL BANK OF BELIZE

STATEMENTS OF OPERATIONS

INCOME	<u>NOTES</u>	For the years ended <u>December 31,</u>	
		<u>1995</u>	<u>1994</u>
Interest			
Approved external assets		\$ 2,437,388	\$ 2,674,026*
Advances to Government		4,910,472	5,075,965
Local Securities		727,715	434,530*
Loans to financial institutions		201,216	98,470
Loans to statutory boards		448,581	474,009
		<u>8,725,372</u>	<u>8,757,000</u>
Discount			
Foreign securities		-	55,498
Local securities		979,069	727,364
		<u>979,069</u>	<u>782,862</u>
Commissions and other income		2,107,594	1,316,902
Total income		<u>11,812,035</u>	<u>10,856,764</u>
LESS:			
Interest expense		(1,128,931)	(978,747)
Loss on sale of marketable security		(133,481)	-
Income from operations		<u>10,549,623</u>	<u>9,878,017</u>
EXPENDITURE			
Printing of notes and minting of coins	2f	(732,934)	(606,942)
Salaries and wages, including superannuation contributions and gratuities		(3,708,296)	(3,327,682)
Depreciation and amortization		(211,421)	(446,245)
Administrative and general		(1,914,107)	(1,875,655)
Total expenditure		<u>(6,566,758)</u>	<u>(6,256,524)</u>
NET PROFIT		3,982,865	3,621,493
Transfer to General Reserve Fund in accordance with Section 9 (1) of the Act	18	796,573	724,299
Balance credited to the Accountant General for the Consolidated Revenue Fund		<u>\$ 3,186,292</u>	<u>\$ 2,897,194</u>

*Reclassified for comparative purposes

See notes to financial statements.

CENTRAL BANK OF BELIZE

STATEMENTS OF CASH FLOWS

	For the years ended December 31	
	<u>1995</u>	<u>1994</u>
OPERATING ACTIVITIES:		
Net profit	\$ 3,982,865	\$ 3,621,493
Adjustments to reconcile net profit to net cash provided by (used in) operating activities - Depreciation/amortization	211,421	446,245
- Loss on disposal of fixed assets	1,006	33,446
- Loss on sale of marketable security	133,481	-
Changes in assets and liabilities that provided (used) cash:		
Loans to licensed financial institutions	3,000,000	516,845
Other assets	(1,651,251)	(431,424)
Other liabilities	(132,294)	170,207
Revaluation Account	(77,954)	68,708*
Net cash provided by operating activities	<u>5,467,274</u>	<u>4,425,520</u>
INVESTING ACTIVITIES:		
Belize Government current account	(26,718,867)	(3,198,298)
Receipts from loans to public sector	936,394	375,775
Acquisition of property and equipment	(269,592)	(317,912)
Reserve Tranche in the International Monetary Fund	(200,746)	(499,205)*
Revaluation of Reserve Tranche in the International Monetary Fund	200,746	499,205*
Net investment in marketable securities	<u>9,658,989</u>	<u>11,973,082*</u>
Net cash (used in) provided by investing activities	<u>(16,393,076)</u>	<u>8,832,647</u>
FINANCING ACTIVITIES:		
Notes and coins in circulation	5,043,073	4,786,020
Deposit by licensed financial institutions	10,814,581	(8,995,431)
Deposits by and balances due to Government and Public Sector entities	1,893,711	165,914
Deposits by international agencies	(262,765)	(182,160)
Balances due to Caricom Central Bank	(277,568)	231,495
Commercial Bank Discount Fund	(71,393)	(898,685)
Belize Credit Facility	138,455	160,988
Loans payable to foreign institutions	(1,250,000)	(1,250,000)
Net cash provided by (used in) financing activities	<u>16,028,094</u>	<u>(5,981,859)</u>

*Reclassified for comparative purposes.

CENTRAL BANK OF BELIZE

STATEMENTS OF CASH FLOWS (Continued)

	For the years ended December 31	
	<u>1995</u>	<u>1994</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,102,292	7,276,308
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	53,212,584	45,936,276
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 58,314,876</u>	<u>\$53,212,584</u>
 CASH AND CASH EQUIVALENTS COMPRISE THE FOLLOWING:		
EXTERNAL ASSETS:		
Balances and deposits with foreign bankers and Crown Agents	\$ 6,090,728	\$12,130,204
Other foreign credit instruments	39,703,994	17,823,636
Accrued interest and cash intransit	622,476	727,076
Balance with the International Monetary Fund	1,397,358	1,088,596
	<u>47,814,556</u>	<u>31,769,512</u>
 LOCAL ASSETS:		
Cash and bank balances	162,108	175,682
Government of Belize Treasury Bills	10,338,212	21,267,390
	<u>\$58,314,876</u>	<u>\$53,212,584</u>

See notes to financial statements.

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1995 AND 1994

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.

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

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.

4. CENTRAL BANK OF BELIZE ACT SECTION 25 (CONTINUED)

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, 1995 total approved external assets approximated 50 percent (1994 - 53 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, this Reserve Tranche was purchased by the Bank from the Government of Belize.

At December 31, 1995 and 1994, 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\$2.97 to SDR 1.0 at December 31, 1995 (1994 BZ\$2.92 to SDR 1.0).

6. BELIZE GOVERNMENT SECURITIES

Belize Government securities consist of:

	<u>1995</u>	<u>1994</u>
Treasury bills	\$10,338,212	\$21,267,390
Debentures	4,670,000	4,670,000
Treasury note	9,776,000	6,000
Belize defence bonds	10,000,000	-
	<u>\$34,784,212</u>	<u>\$25,943,390</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, 1995 the Bank's aggregate holding of Belize Government Securities approximated 1.80 times (1994 - 1.40 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, 1995 advances to Government represent approximately 88 percent (81 percent 1994) of the authorized limit.

8. LOANS TO THE PUBLIC SECTOR

	<u>1995</u>	<u>1994</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	\$ 377,484	\$ 437,500
5.5% p.a. loan due in 16 consecutive semi-annual payments commencing July 10, 1993.	1,905,075	2,187,500
6% p.a. loan due in 16 consecutive semi-annual payments commencing December 22, 1992	4,905,272	5,499,225
	<u>\$7,187,831</u>	<u>\$8,124,225</u>

These loans are guaranteed by the Government of Belize.

9. LOANS TO LICENSED FINANCIAL INSTITUTIONS

	<u>1995</u>	<u>1994</u>
11% loan to a licensed financial institution due January 13, 1995 secured by hypothecation of Government of Belize securities.	\$ -	\$3,000,000
	<u>\$ -</u>	<u>\$3,000,000</u>

10. OTHER ASSETS

At December 31 other assets are made up as follows:

	<u>1995</u>	<u>1994</u>
Prepaid printing and minting of notes and coins (See note 2 f)	\$1,238,542	\$1,968,546
Prepayments and accrued interest	570,468	290,075
Receivables	2,133,499	1,050,525
Other	79,695	104,608*
Deferred charges - CBB Building	1,182,677	139,876*
	<u>\$5,204,881</u>	<u>\$3,553,630</u>

*Reclassified for comparative purposes.

11. PROPERTY AND EQUIPMENT

	<u>1995</u>	<u>1994</u>
Property and equipment consist of:		
Land	\$2,040,400	\$2,040,400
Properties and improvements	711,321	711,321
Improvements to Treasury Building	320,637	180,352
Furniture	181,956	162,748
Equipment	2,587,250	2,543,246
Vehicles	263,165	302,100
	<u>6,104,729</u>	<u>5,940,167</u>
Less accumulated depreciation/amortization	(3,000,940)	(2,893,543)
	<u>\$3,103,789</u>	<u>\$3,046,624</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>1995</u>	<u>1994</u>
Commission of the European Communities	\$1,999,218	\$2,126,300
International Monetary Fund	109,111	98,592
Caribbean Development Bank	67,993	8,726
International Bank for Reconstruction and Development	2,664,015	2,869,484
	<u>\$4,840,337</u>	<u>\$5,103,102</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, 1995, outstanding loans discounted by commercial banks through the facility amounted to BZ\$1.5 million (1994 - BZ\$1.6 million) net of repayments against a total drawdown of BZ\$5.7 million (1994 - BZ\$5.7 million) from USAID. On that date the amount drawn down by the Foundation was BZ\$2,000,000 (1994 - BZ\$2 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>1995</u>	<u>1994</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).	<u>\$5,625,000</u>	<u>\$6,875,000</u>

17. CONSTRUCTION BONDS

	<u>1995</u>	<u>1994</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.	<u>\$5,000,000</u>	<u>\$5,000,000</u>

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>1995</u>	<u>1994</u>
Balance at beginning of year	\$8,503,236	\$7,778,937
Transfer from profits for the year	821,750	724,299
Balance at end of year	<u>\$9,324,986</u>	<u>\$8,503,236</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>1995</u>	<u>1994</u>
Balance at beginning of year	\$567,913	\$ -
Gain on revaluation of Reserve Tranche in the International Monetary Fund	200,746	490,874*
(Losses) gains on revaluation during the year	(77,954)	77,039*
Transfer from net profit for the year	-	-
Balance transferred to General Reserve Fund	-	-
Balance at end of year	<u>\$690,705</u>	<u>\$567,913</u>

See note 2c. iii

*Reclassified for comparative purposes.

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\$301,616 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.

20. PENSION SCHEME (CONTINUED)

iii. No allowance for pensions, in course of payment, to be increased.

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, 1995, the principal outstanding under the facility was US\$727,188 (1994 - US\$2,182,000). 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, 1995 and 1994 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\$1,970,525 at December 31, 1995 (1994 - BZ\$5,106,641).

CENTRAL BANK OF BELIZE

Fourteenth Annual Report and Accounts 1995

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