

# CENTRAL BANK OF BELIZE



Fifteenth Annual Report and Accounts



1996



# CENTRAL BANK OF BELIZE

## Fifteenth Annual Report and Accounts 1996

	1996	1995
Assets		
Cash	1,234,567	1,123,456
Reserves	2,345,678	2,234,567
Loans	3,456,789	3,345,678
Investments	4,567,890	4,456,789
Other	567,890	567,890
Liabilities		
Capital	1,234,567	1,234,567
Reserves	2,345,678	2,345,678
Loans	3,456,789	3,456,789
Other	567,890	567,890
Income Statement		
Interest Income	1,234,567	1,123,456
Interest Expense	(1,123,456)	(1,012,345)
Other Income	123,456	123,456
Other Expense	(123,456)	(123,456)
Profit	111,111	111,111





# CENTRAL BANK OF BELIZE

## Financial Annual Report and Accounts 1995

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### Abbreviations:

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• ACP	African Caribbean and Pacific
• BFIA	Banks and Financial Institutions Act, 1995
• BSI	Belize Sugar Industries Limited
• CARICOM	Caribbean Community and Common Market
• CET	Common External Tariff
• CPI	Consumer Price Index
• CSO	Central Statistical Office
• EC	European Community
• ECU	European Currency Unit
• EU	European Union
• ECCB	Eastern Caribbean Central Bank
• FY	Fiscal Year
• GDP	Gross Domestic Product
• GOB	Government of Belize
• GRT	Gross Receipts Tax
• IDB	Inter-American Development Bank
• OECS	Organization of Eastern Caribbean States
• PETROJAM	Petrojam Belize Limited
• SPS	Special Preferential Sugar Arrangement
• T&T	Trinidad and Tobago
• UK	United Kingdom
• US	United States
• VAT	Value Added Tax
• WTO	World Trade Organization

### 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**

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**CENTRAL BANK OF BELIZE**

**Keith A. Arnold**  
Governor

P.O. BOX 852  
BELIZE CITY, BELIZE

April 30, 1997

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, 1996, 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 & PRINCIPAL OFFICERS at December 31, 1996

## BOARD OF DIRECTORS:

KEITH ARNOLD  
*Chairman*

CARLA BARNETT  
*Vice Chairman*

JAIME ALPUCHE

ARSENIO BURGOS

ANWAR FLORES

JOY GRANT

MANUEL SOSA

## PRINCIPAL OFFICERS:

KEITH ARNOLD  
*Governor*

CARLA BARNETT  
*Deputy Governor*

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 GARDINER  
*Manager, Banking & Currency Department*

KENT HAYLOCK  
*Chief Of Security*





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**Table 1: Major Economic Indicators**

	1991	1992	1993	1994	1995	1996 <sup>P</sup>
POPULATION (Thousands)	189.4	199.0	205.0	211.0	216.0	222.0
TOTAL UNEMPLOYMENT RATE	13.8	11.9	9.8	9.0	12.5	13.7
PER CAPITA GDP (BZ\$, Current Prices)	3,743	4,131	4,402	4,443	4,561	4,815
GDP AT CURRENT MARKET PRICES (BZ \$mn)	727.4	824.0	902.4	928.5	987.5	1,024.6
Real GDP Growth (%)	3.1	9.5	4.3	1.5	3.8	1.5
Sectoral Distribution of Constant 1984 GDP (%)						
Primary Activities	19.6	20.4	19.6	19.8	24.4	21.1
Secondary Activities	26.0	25.9	26.8	25.6	25.4	24.7
Services	57.9	57.1	57.0	58.0	57.8	57.4
MONEY AND PRICES (BZ \$mn)						
Inflation (Annual average percentage change)	4.7	2.4	1.5	2.6	2.9	6.4
Currency and Demand deposits (M1)	122.8	143.8	149.2	157.2	165.0	177.6
Quasi-Money (Savings and Time deposits)	306.4	325.4	324.4	350.0	424.3	447.7
Money Supply (M2)	429.2	469.2	473.6	507.2	589.3	625.3
CREDIT (BZ \$mn)						
Commercial Bank Loans and Advances	336.0	373.2	400.1	405.7	440.7	480.9
Public Sector	4.9	1.2	13.9	0.4	2.7	2.9
Private Sectors	331.1	372.0	390.2	405.3	438.0	478.0
INTEREST RATE (%)						
Weighted Average Lending Rate	14.3	14.4	14.6	15.0	16.3	16.2
Weighted Average Deposit Rate	6.4	6.0	6.0	6.1	7.2	6.2
CENTRAL GOVERNMENT FINANCES (BZ \$mn)						
Current Revenue	224.4	230.1	249.0	265.1	259.9	276.6
Current Expenditure	150.5	173.2	208.7	233.8	239.8	237.5
Current Account Surplus/(Deficit)	73.8	56.9	40.3	31.3	20.0	39.1
Capital Expenditure	118.4	148.6	139.1	111.0	83.2	79.6
Overall Surplus/(Deficit)	-42.5	-50.2	-69.1	-65.2	-46.9	-11.7
Domestic Financing (Net)	24.7	26.4	32.3	24.5	33.1	-40.9
External Financing (Net)	17.8	30.9	46.3	27.1	3.7	46.6
BALANCE OF PAYMENTS (US \$mn)						
Merchandise Exports	126.3	141.3	134.1	151.5	161.9	167.6
Merchandise Imports	223.6	244.5	250.6	231.9	230.4	223.7
Trade Balance	-97.3	-104.3	-116.5	-80.4	-69.0	-56.1
Services (Net)	42.6	44.9	38.2	28.6	29.0	27.0
Current Account Balance	26.6	29.1	-49.0	-22.6	-1.9	-2.5
Capital Flows	22.0	29.1	43.3	1.9	-7.0	25.5
Net Change in Official International Reserves *	15.8	-1.0	19.5	4.3	-3.3	-21.1
Net Official International Reserves	54.3	55.4	35.9	31.6	34.9	56.0
Import Cover of Reserves (in months)	2.9	2.7	1.7	1.4	1.5	2.6
EXTERNAL PUBLIC DEBT						
Disbursed Outstanding Debt (US \$mn)	150.6	145.6	167.9	184.0	184.3	216.9
Debt Service Payments (US \$mn)	15.0	13.7	15.5	24.0	29.8	29.7
Debt Service Ratio (%)	5.8	4.7	5.3	8.1	9.7	9.5

Sources: Ministry of Finance  
CSO  
Central Bank of Belize

<sup>P</sup> - Provisional  
\*Minus = increase





# Economic Review

## Overview

Revised figures from the Central Statistical Office (CSO) indicate that growth in real Gross Domestic Product (GDP) slowed to 1.5% after the 3.8% expansion in 1995. While the agricultural sector continued to grow vigorously, moving from 7.7% in 1995 to 9.2% in 1996, reversals in growth rate were recorded in most of the other economic sectors. Central Government's fiscal position improved significantly during the year and the international reserves increased from \$74.9 mn to \$115.6 mn.

A bumper crop in the banana industry was the main factor contributing to the improved performance of the agricultural sector. In contrast, activity in the secondary sector fell by 1.3% in 1996 after growing by 3.1% in 1995. Electricity, water and construction all registered significant reductions and performance in the manufacturing sector was sluggish reflecting declines in citrus concentrates, soft drinks, beer and cigarette production. The slowdown was most pronounced in the services sector where all categories recorded significant declines.

A one-off impact from the introduction of the Value Added Tax (VAT) contributed to a 6.4% rise in the average Consumer Price Index (CPI) with increases recorded in the household goods and maintenance, recreation, education and culture categories.

During 1996, Belize achieved an overall surplus on its balance of payments of United States (US) \$21.1 mn, a significant improvement over the US\$3.3 mn surplus recorded in 1995. The improvement primarily reflected net capital inflows and a narrowing of the trade deficit as export value rose by a US\$5.7 mn and imports declined by US\$7.2 mn.

Money supply (M2) grew moderately by 6.1% largely reflecting a \$54.1 mn growth in the net foreign assets of the banking system. The rise

in the net foreign assets reflected a \$42.2 mn increase in the Central Bank's net foreign assets and a \$11.9 mn increase in those of the commercial banks following increased purchases of foreign exchange from the export sector and the receipt of loan proceeds from the Government of Taiwan. At the same time, the foreign liabilities of the commercial banks rose by \$12.5 mn due to increased foreign borrowing and deposits by International Business Companies.

Net domestic credit declined by \$1.3 mn to \$581.9 mn, as net credit to Central Government fell by \$40.7 mn while credit to the private sector increased by \$39.9 mn. During the year, Central Government was able to build-up its deposits by \$46.6 mn as it received the proceeds of a Taiwan US\$26.1 mn loan and floated a new Treasury Note issue. Private sector credit was mainly directed to the distributive sector, the sugar industry, and personal loans.

There was no change in the approved liquid assets requirement of the commercial banks during the year which saw holdings of liquid asset increasing by 5.3% to \$172.2 mn and excess liquidity declining by 19.7% mn to \$14.3 mn. The weighted average interest rate spread widened by 90 basis points to 10.0 % as the weighted average lending rate declined by 10 basis points to 16.2 % and the weighted average deposit rate fell by 100 basis points to 6.2%.

During the 1996 calendar year, Central Government's activities resulted in an overall deficit of \$11.7 mn compared to a \$46.9 mn deficit in 1995. Contributing to the sharp decline in the overall deficit was an increase in the current surplus by \$19.0 mn to \$39.1 mn. The fiscal deficit was financed primarily from external sources as loan disbursements of \$80.0 mn outweighed repayments of \$32.5 mn. Domestic financing was minimal during 1996 as





# Economic Review

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Government of Belize (GOB) deposits in the banking system increased by \$46.6 mn.

At the end of the year, the disbursed outstanding external public debt amounted to \$433.7 mn, showing an increase of \$65.0 mn. Disbursements amounted to \$108.1 mn while principal and interest payments totaled \$59.4 mn. Disbursements on the two Taiwan loans and the Central Bank Building Bonds accounted for a significant portion of foreign exchange inflows during the year. On August 1, 1996, the Offshore Banking and Anti-Money Laundering Acts came into effect to assist the development of a strong and credible offshore jurisdiction.

During the year, Government agreed to a salary adjustment and compensation package with

the Public Service Union and the Belize National Teachers' Union that included retroactive salary increases from Fiscal Year (FY) 1994/95 to FY 1996/97 and projected salary increases for FY 1997/98 and FY 1998/99.

The outlook for 1997 is for real growth of about 2.5% based on moderate growth in the export and tourism sectors. While earnings from sugar are expected to rise only marginally, most of the other traditional exports should see moderate increases. Earnings from citrus are projected to increase by 18.0% as new groves mature and prices strengthen. Tourist arrivals are expected to increase by 5.0%, as promotional efforts to attract visitors from North America and Europe continue.





## International Economic Developments

### **Industrial Countries**

Economic performance among industrial countries was varied during 1996, with increases in output ranging from 0.3% to 3.8%. While the Netherlands, Japan and Australia experienced growth rates of 3.0% and above, the economies of Great Britain, Denmark, Germany, Spain and the US exhibited average growth rates of 2.3%. In the newly industrialised countries such as Singapore, South Korea and Taiwan, growth averaged 7.0%. Notwithstanding the wide disparity in growth rates, industrial countries were able to contain inflation (as measured by the CPI) between 1.4% and 3.2% during the year.

At 4.0%, Japan's economic performance was robust during 1996 as compared to a growth rate of 0.5% during 1995. This reflected the effects of a broad range of supportive monetary and fiscal policies implemented to facilitate a correction of the overvaluation of the yen. However, the economy continued to experience problems with the banking sector even as public investment declined. A more moderate pace of 2.5% to 3.0% growth is therefore expected in 1997. Unemployment was recorded at 3.3%, approximately the same as in 1995. During the year consumer prices increased by less than 1.0%.

In the US, real output increased by 2.4% compared to 2.0% in 1995. There was a marginal decrease in unemployment levels during the year from 5.6% in 1995 to 5.3% in 1996 and consumer prices rose at an annualised rate of 3.2% compared to 2.8% in 1995 as wages and producer prices grew marginally.

Canada's growth rate continued to decelerate to less than 1.7%, from 2.3% in 1995. Its fiscal deficit fell from 7.0% of GDP in 1995 to an estimated 2.5%, reaffirming that government's commitment to balance the budget in the medium term. The unemployment rate rose to an estimated 10.0%.

Real GDP in the UK grew by 2.4% from 1.8% in 1995 as output in the services sector grew by 0.9% followed by an increase in activity in finance and business services. Inflation was recorded at some 2.4%—the lowest in thirty years.



The rate of unemployment fell to 6.7% at the end of the year, the lowest since 1991.

### **Regional Developments**

Economic performance in Caribbean and Latin American countries was generally weak during 1996. In Jamaica, output grew by 1.0% as compared with 0.5% in 1995, reflecting increases in tourism, agriculture and mining. However, unemployment rose as a result of layoffs in the financial sector and the closure of a number of factories. During the first ten months of the year, the CPI increased by 14.9% as compared to 20.3% during the corresponding period of 1995. The Jamaican dollar appreciated against the US dollar from J\$39.80 at the end of December 1995 to J\$35.10 at the end of November 1996. The banking sector experienced difficulties in 1996 as the Eagle Financial Group was taken over by the government after a three-week run on deposits. In July, Century National Bank collapsed with a shortfall of US\$180.0 mn between assets and liabilities.

Expansion in the tourism and sugar sectors contributed to 4.5% growth in the Barbadian economy during 1996, more than twice the 1995 growth rate. The increase in output was accompanied by a decline in the unemployment rate from 19.7% at the end of 1995 to 14.5% at end of 1996. Government's fiscal performance recorded a turnaround from an overall surplus of US\$35.4 mn to a deficit of US\$49.1 mn and inflation increased from 1.9% in 1995 to 2.5%, reflecting higher levels of government and consumer spending. On the other hand, the balance of payments recorded net capital inflows of US\$51.6 mn compared to net outflows of US\$66.4 mn in 1995 while the current account





surplus deteriorated slightly from US\$107.9 mn to US\$99.1 mn. Exports to the Caribbean Community and Common Market (CARICOM) increased by 31.0% in the first half of the year mostly to Trinidad and Tobago (T&T) and Jamaica. Commerce and banking was adversely affected during the latter part of 1996 as consumer spending dropped significantly in anticipation of the implementation of the VAT in January 1997. VAT will replace other existing taxes on consumption and entertainment and stamp duty on imports.

In T&T, real GDP grew by an estimated 2.5% with petroleum and non-petroleum activities recording positive growth. The continued growth in economic activity was accompanied by a decline in the unemployment rate from 16.5% in 1995 to 15.1% in 1996. The annual inflation rate rose by 3.0% to 9.0% mainly reflecting increases in food prices. Following the depreciation of the T&T dollar against the US dollar from TT\$6.09 to TT\$6.25 during the latter part of the year, tighter monetary policies were implemented by government in order to reduce excess liquidity in the banking system and strengthen the dollar.

Real GDP grew by an estimated 7.9 % in Guyana, buoyed by a 43.5% increase in manufacturing and services, transport and communication. Real output in the mining sector was up 15.3%, as gold production increased by 28.5%. At the end of 1996, the inflation rate stood at 7.0% compared with 8.1% at the end of 1995. The exchange rate was unchanged at G\$150:US\$1 throughout 1996. External public debt fell by 27.0% largely reflecting debt relief and rescheduling. Plans to privatize Guyana Electricity Corporation continued and a US\$45mn line of credit was received from the Inter-

American Development Bank (IDB) to finance the electricity sector. Economic activity in the Organization of Eastern Caribbean States (OECS) declined in 1996, partly reflecting weak performance in the tourism and agriculture sectors. Inflation continued to be moderate ranging from 0.5% in St. Vincent and the Grenadines to 1.1% in Anguilla, and St. Kitts/Nevis. While St. Lucia recorded a 3.0% fall in consumer prices, inflation rates rose in Dominica and Grenada. Efforts toward establishing a sub-regional single market proceeded with the Eastern Caribbean Central Bank (ECCB) further developing the concept of an integrated sub-regional money and capital market. During the latter part of the year, the ECCB received US\$1.2 mn from the IDB's Multilateral Investment Fund in order to set up an electronic stock exchange linking all the islands. The objective is to increase local credit flows and to channel these funds into productive sectors.

During 1996, real output in Mexico rose by 5.1% after declining by 6.2% in 1995. At 4.1%, unemployment reached its lowest level in 24 months largely reflecting fiscal measures aimed at achieving the Mexican government's objective of economic stability. The annual inflation rate declined to 27.7% compared to 52.0% recorded in 1995. The exchange rate depreciated from 5.2 New Pesos to 7.9 New Pesos to the US\$1.00, and the visible trade surplus increased from US\$7.1 bn at the end of 1995 to US\$7.4 bn at end of 1996. Among the main factors contributing to this recovery were higher oil prices and expenditure restraint by government. International reserves improved and investor confidence was buoyant.



## Domestic Production, Exports And Prices

### Overview

CSO estimates indicate that Belize's real GDP growth declined to 1.5% in 1996, after growing by 3.8% in 1995. Although activity in the primary sector increased by 6.1%, activity in the services sector decelerated and a contraction of 1.3% was recorded in the secondary sector.

Decreases in trade/tourism, finance/insurance, and public administration were notable components in the slowdown of the

compared to a 4.4% increase in 1995. In addition, construction activity continued to decline as a number of Central Government's externally funded capital projects were completed in early 1996 and projects in the pipeline did not come on stream during the year. A cyclical downturn in citrus fruit delivery led to a slowdown in manufacturing activity, compared to a 55.7% expansion in 1995. This was compounded by declines in the production of soft drinks, beer and cigarettes because of a drop in demand.

**Table 2: Selected Growth Indicators**

	(Annual Percentage Change)		
	1994	1995	1996 <sup>P</sup>
GDP at Current Market Prices	2.9	6.4	3.8
Real GDP (at 1984 prices)	1.5	3.8	1.5
Primary Activities	2.4	5.7	6.1
of which: Agriculture	2.7	7.7	13.3
Fishing	-5.2	18.4	-12.0
Forestry	13.3	-17.5	-8.9
Secondary Activities	-3.0	3.1	-1.3
of which: Manufacturing	4.8	4.4	0.2
Construction	-20.5	-0.4	-6.7
Services	3.3	3.4	0.9
of which: Trade & Tourism	4.4	2.5	-1.4
Public Administration	4.0	1.3	-1.8
Transport & Communications	1.2	5.8	4.2
Finance & Insurance	4.1	3.5	-2.2
Consumer Price Index			
Average	2.6	2.9	6.4
End of Period	1.8	3.9	6.4

Source: CSO

<sup>P</sup> - Provisional

services sector. The transport and communications sub-sector also registered a marginal decline in growth. A fall in tourist arrivals during the year, Government's retrenchment of 860 employees in December 1995, and consequent decline in imports were important factors adversely affecting sub-sectors such as trade, restaurant, and hotel activity, public administration and transportation. The general easing in the pace of activity in turn negatively impacted services offered by the finance and insurance sub-sector.

The secondary sector contracted as growth in manufacturing slowed to 0.2%

Expansion in the primary sector was seen chiefly in agricultural activity, which rose by 13.3% compared to 7.7% in 1995. This was led by sugarcane production, which increased 20.6% to 1.2 mn long tons in the 1995/96 crop year after declining by 14.5% in 1994/95. Favourable weather afforded significant improvements in the yield per acre (44.7%) and better harvesting conditions, as well as enabling an extended production period (19 days). Production consequently rose despite a 16.7% reduction in the acreage under cultivation, to 50,000 acres.

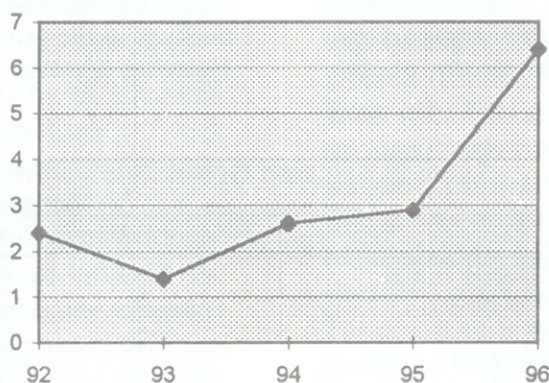




The banana industry saw a record harvest of 134.5 mn pounds (61,000 metric tons) representing a 41.5% increase over 1995 levels. The yield per acre rose by 24.7%, the highest to date in the industry and acreage under cultivation expanded by 4.6% to 5,072 acres. Improvements

fall in 1995. These improvements were due to growth in domestic manufacturing of wood products, such as veneer, in response to policy measures aimed at increasing value added, as well as curtail the harvesting of high-valued specie which are in short supply. The two remaining

**Figure 1: Consumer Price Inflation 1992-1996**  
Annual Average (%)



Source: CSO

in yield reflected the culmination of the industry's efforts over the last ten years to consolidate the operations of the individual banana farms and successfully address black sigatoka disease and inadequate irrigation systems, which were two of its major obstacles. Weather conditions after the first quarter of the year were also extremely good for banana cultivation and harvesting.

Forestry and logging declined by 8.9% as the industry recovered somewhat from a 17.5%

major sources of timber, the Chiquibul and Columbia Forest Reserves, were placed under long-term management plans significantly reducing the supply of exportable timber.

After experiencing 18.4% growth in 1995, commercial fishing declined by 12% in 1996 due mainly to a downturn in the lobster and conch catch and farmed shrimp. The lobster catch was affected by unfavourable weather conditions and conch production declined in response to depressed world market prices. Shrimp production declined as producers changed to harvesting one crop for the year rather than two, as has been the norm in the recent past. This decision followed attempts to reduce the industry's exposure to the recently detected taura virus by imposing stricter sanitation and quarantine measures. It was expected that the resultant decline in production would be partly offset by harvesting one dense crop rather than two of lower than normal density. Although the majority of the industry went unscathed, a number of smaller farms were unable to contain

**Table 3: Domestic Exports**

	\$mn		
	1994	1995	1996 <sup>P</sup>
Traditional Exports	241.6	271.4	288.4
Sugar	80.6	95.5	94.3
Citrus	34.2	62.1	63.0
Molasses	10.4	5.6	11.0
Bananas	45.9	44.1	57.4
Marine	26.4	31.1	24.3
Garments	36.5	29.1	35.7
Sawn Wood	7.6	3.9	2.7
Non-traditional Exports	13.5	14.4	18.5
<b>Total</b>	<b>255.1</b>	<b>285.8</b>	<b>306.9</b>

Source: CSO  
<sup>P</sup> - Provisional





the threat and, as a result, lost significant portions of their production.

The average CPI rose for the third consecutive year to 6.4% mainly due to the one-off impact of the VAT introduced on April 1, 1996. Apart from services that were previously tax-free, the VAT was also levied on stocks that had been subjected to the old custom rates. Consequently, the CPI rose by 4.0% during the period February to May. The rate of increase slowed to 0.8% and further down to 0.3% during the last two quarters of the year.

The growth was seen mainly in the two categories household goods and maintenance, and recreation, education and culture, which both increased by 4.1%. A 3.7% increase was recorded in the cost of transport and communication, and food, beverages and tobacco.

### Sectoral Review

Although expanding at a slower rate, domestic exports rose by 7.4% to \$306.9 mn attributable chiefly to a \$13.3 mn increase in banana exports. Smaller increases in molasses, garments, citrus, and nontraditional exports, outweighed contractions in marine products, sawn wood and sugar.

### Sugar

Deliveries of sugarcane during the 1995/96 crop-year rose by 20.6% compared to a 14.5% reduction in 1994/95. The increase in deliveries was attributed primarily to favourable

weather conditions and an extended grinding period. Deliveries to Belize Sugar Industries Ltd. (BSI) increased by 14.8% and deliveries to Petrojam Belize Ltd. (PETROJAM) almost doubled.

Notwithstanding the sharp increase in cane deliveries and an improvement in BSI's overall factory efficiency, sugar production rose by only 3.3% as heavy rains late in 1995 led to a significant decline in the sucrose content of the crop. This was evident in the cane/sugar ratio, which rose by 9.3% to 10.2 long tons, and cane purity, which declined from 85.5% to 84.6%.

During the year, 94,828 long tons of sugar were exported at a value of \$94.3 mn. Compared to 1995, export volume went up by 2.7% but value was down by 1.4%. Export volume rose following quota reallocations in the US market which increased Belize's quota by 64.4% to 23,176 long tons. The reallocation was made after a number of CARICOM and Asian sugar producing nations indicated that they were unable to fill their respective US quotas for the 1995/96 season. The impact of the quota increase was, however, partly reversed by a 7.8% decline in purchases by the EU due to a reduction in demand under the Special Preferential Sugar (SPS) Arrangement. Shipments to the world market fell by 10.2%, reflecting diversions to fill the US quota reallocation.

The reduction in export value followed decreases in the value of shipments to the EU and world markets of 10.9% and 18.0%, respectively

Table 4: Sugar Production

	1993/94	1994/95	1995/96 <sup>P</sup>
Production of sugarcane (long tons) <sup>1</sup>	1,198,894	1,025,013	1,236,308
Sugarcane deliveries to BSI	1,026,719	952,764	1,093,450
Sugarcane deliveries to PETROJAM	172,175	72,249	142,858
Sugar Processed (long tons)	105,397	105,344	108,784
Molasses Processed by BSI (long tons)	31,949	35,216	39,949
High test molasses processed by PETROJAM	13,911	0	0
Cane juice molasses processed by PETROJAM	10,611	10,598	19,850
Performance			
Overall Factory Efficiency (%)	90.33	90.75	91.87
Cane Purity (%)	85.77	85.47	84.55
Cane/Sugar Ratio	9.97	9.31	10.18

Source: Belize Sugar Board

<sup>1</sup> = Crop year is December to July

<sup>P</sup> - Provisional



Table 5: Sugar Exports

	1994		1995		1996 <sup>P</sup>	
	Volume (Long Tons)	Value (\$mn)	Volume (Long Tons)	Value (\$mn)	Volume (Long Tons)	Value (\$mn)
Sugar	92,845	80.6	92,316	95.5	94,828	94.3
E.E.C (Quota)	42,569	51.3	54,538	69.6	50,277	62.0
USA (Quota)	10,210	9.1	14,095	12.6	23,176	21.4
Other (World)	40,066	20.2	23,683	13.3	21,375	10.9
Molasses	53,006	10.4	41,842	5.6	62,276	11.0

<sup>P</sup> - Provisional

that outstripped a 69.8% increase in the value of shipments to the US. Along with reduction in volume, the decline in the value of shipments to the EU also reflected a 3.3% decline in the average unit price, due to the weakening of the British pound against the US dollar over the year.

The decline in the value of exports to the world market reflected both reduction in export volume and a 10.0% fall in the average unit price following very good performance by two of the world's larger producers, India and Thailand.

During the year, the value of molasses exports doubled to \$11.0 mn reflecting a near two-fold increase to 62,276 long tons in export volume and a 13.3% increase in the average unit price. Production rose due to the increase in cane deliveries to both BSI and PETROJAM and the decline in the quality of the crop, which is inversely related to the production of molasses. Growth in export volume followed the expansion in production and a strengthening of demand from traditional buyers.

During the 1995/96 crop year, payments to cane farmers in the Orange Walk and Corozal districts declined by 8.9% to \$58.79 per ton and 6.3% to \$61.41 per ton, respectively. This compared with increases of 26.4% to \$64.52 and 23.9% to \$65.52, respectively during the 1994/95 crop-year.

### Citrus

Citrus fruit deliveries were much lower than expected falling by 0.7% in the 1995/96 crop year after the extraordinary growth of 52.4% in the previous crop year. A sizable portion of the crop was spoilt by infection and stress produced by intermittent wet and cool conditions. There was also a natural cyclical downturn in the production of the Cleopatra Mandarin variety of orange; the variety that is resistant to the tristeza

virus, which has been adversely affecting the crop. Consequently, orange deliveries slowed from growth of 55.1% to 1.4% and grapefruit deliveries declined 4.5% compared to growth of 45.7% in 1995. As a result of the downturn in deliveries, production of citrus concentrate fell by 1.8% to approximately 3.0 mn gallons with orange and grapefruit concentrate production down by 9.4% and 4.8%, respectively.

In contrast, production of single strength citrus juices rose by 49.3% to 1.3 mn gallons as the industry continued to expand production of this item, first introduced in the 1993/94 crop-year in an effort to diversify manufacturing.

During the year, exports of citrus concentrates totaled 3.4 mn gallons valued at \$59.1 mn. Export volume was marginally lower by 0.7% while value rose by 1.7%. The decline in volume reflected a lower level of production and, to a lesser extent, the expansion in the production of single strength citrus juices. The rise in value largely reflected higher prices received for orange concentrate in the US and Caribbean markets.

Prices were generally higher due to significant damage to Florida citrus groves as a result of freezing conditions in late 1995 and early 1996. Export value received a further boost as orange concentrate exports which accounted for approximately 80% of total exports were shifted from markets in the EU to the US to take advantage of the higher prices. By year end, the proportion of such exports rose to 59.8% of total sales from 36.4% in 1995 while that to the EU fell to 32.9% from 47.3% in 1995.

During the year, prices of both orange and grapefruit products declined in the EU because of an increase in supplies by Brazilian producers. Exports of grapefruit concentrate



**Table 6: Production & Export of Citrus**

	1993/94	1994/95	1995/96 <sup>P</sup>
Deliveries ('000 boxes)*	2,853	4,347	4,319
Oranges	2,020	3,133	3,161
Grapefruits	833	1,214	1,158
Produce Exported ('000 gals)	2,252	4,288	4,188
Orange Concentrate	1,515	2,696	2,683
Grapefruit Concentrate	594	757	747
Single Strength Juices	143	835	758
Value (\$mn)	34.2	62.1	63.0
Oranges	23.2	44.9	47.5
Grapefruits	10.4	13.4	11.6
Single Strength Juices	0.6	3.8	3.9

Sources: CSO  
Belize Food Products  
Citrus Company of Belize

\*- Crop year is from  
October to June  
<sup>P</sup> - Provisional

suffered in particular from lower prices as the EU is the main market for this product.

In 1996, citrus processors, for the first time, accessed offshore funds (approximately US\$9.0 mn) for operating purposes. Indications are that if domestic financing remains less attractive, processors may continue to pursue offshore funding. In other developments, new technology was introduced to enable production of a higher grade of citrus concentrate. It is expected that the industry's earning capacity will rise in the future since the higher grade earns a premium on the international markets. The production and export of this higher grade is expected to commence in April 1997. In the first phase, this should account for approximately 12.4% of total production. If successful, a second phase will be implemented, raising the proportion of total output eventually to 19.9%.

### Bananas

Approximately 125.5 mn pounds (56,921 metric tons) of bananas valued at \$57.4 mn were exported in 1996. Export volume and value increased 42.8% and 30.2%, respectively with value being boosted by a quality bonus of \$19.8 mn, up 25.3% from the \$15.8 mn received in 1995.

The increase in export volume was due directly to growers being able to achieve the highest level of production since the inception of the industry. Expanded acreage, good weather, improved irrigation and success against black sigatoka disease enabled 1996 to mark the first time that Belize has been able to fill its 55,000

metric ton EU quota. However, approximately 10.0% or six weeks of production were without secure markets. The industry was able to salvage half of this excess by exporting the bananas to the EU under the 1997 quota.

**Table 7: Banana Exports**

	1994	1995	1996 <sup>P</sup>
Volume ('000 lbs.)	105,676	87,876	125,483
40-lb net boxes	2,238,038	1,599,305	2,563,230
28-lb net boxes	576,936	853,722	819,775
Value (\$mn)	29.7	28.3	37.6
Quality Bonus (\$mn)	16.2	15.8	19.8
Total Value (\$mn)	45.9	44.1	57.4

Source: CSO  
<sup>P</sup> - Provisional

A 3.4% increase in the unit price, as well as higher volume accounted for the increase in value. The former was granted in late 1995 due to the high quality of Belizean bananas such that the average price per pound of bananas rose by 7.1% to US\$0.15.

Industry sources estimate that capacity has increased to 100,000 metric tons annually, and 1997 production levels are expected to exceed the 61,000 metric tons produced in 1996. Consequently, officials from the GOB and the banana industry continued to meet with members of the European Commission (EC) and the World Trade Organization (WTO) during 1996 in an effort to secure further increases in Belize's quota. However, very little was accomplished as representatives of US banana interests continued their own efforts to derail the quota agreement



between the EU and ACP banana producers on the basis that the agreements are discriminatory and violate the principles of free trade. As further increases in the EU's quota in the near future now appear remote, the industry is also pressing for quota reallocations, which would be activated only in the event that one or more African Caribbean and Pacific (ACP) banana producing nations are unable to fill their quotas. Nontraditional markets, particularly those in Eastern Europe are also being explored. If all such efforts are unsuccessful, the industry may have to contemplate cutting back its level of production or diversifying into new value-added business ventures.

### Marine Products

During 1996, marine exports amounted to 2.5 mn pounds valued at \$24.3 mn, which represented reductions in volume and value of 6.1% and 21.5% respectively. Reductions in volume were seen mainly in the export of shrimp (11.3%), whole lobster (49.1%), lobster tails (13.4%), and conch (16.3%). These contractions narrowly outweighed a near three-fold increase in whole fish exports (395,000 pounds) and a 44.4% increase in the export of lobster meat.

Exports of shrimp were lower largely because of a decline in farmed shrimp production

effects of the virus but a number of small farms which were unable to contain the threat lost significant portions of their production. Adverse weather conditions resulted in a much lower lobster catch. And exports of lobster tail and whole lobster consequently declined. Conch exports were lower because of depressed conditions on the world market attributed to dumping by Jamaica, Honduras and Columbia during 1995 and 1996. Market conditions began improving, as the incidence of dumping was reduced during the latter part of the year.

### Other Exports

#### Garments

Garment exports in 1996 rose by 1.1% to 2.0 mn pieces while corresponding value rose by 22.7% to \$35.7 mn. The rise in volume was due in part to the production of Unity Enterprises Ltd., which reopened under new management during the second quarter of 1996, after more than a year of inactivity.

The marked increase in value reflected not only greater volume but also an 11.1% increase in the average unit price due mainly to an increase in the proportion of higher-valued pieces produced by the industry. During the year, the product mix was changed to include coveralls which earned 38% more than blue jeans pants on which the industry had earlier concentrated. The

**Table 8: Exports of Marine Products**

	1994		1995		1996 <sup>P</sup>	
	Volume ('000 lbs.)	Value (\$'000)	Volume ('000 lbs.)	Value (\$'000)	Volume ('000 lbs.)	Value (\$'000)
Lobster Tail	453	13,029	476	13,231	412	10,043
Lobster Head	10	60	18	118	26	134
Whole Lobster	111	1,485	285	3,987	145	1,938
Shrimp	1,116	9,189	1,335	10,978	1,184	9,455
Conch	328	2,361	363	2,271	304	2,059
Whole Fish	78	227	148	409	395	629
Other	7	53	14	148	11	80
<b>Total</b>	<b>2,103</b>	<b>26,404</b>	<b>2,639</b>	<b>31,142</b>	<b>2,477</b>	<b>24,338</b>

Source: CSO  
<sup>P</sup> - Provisional

due to the recently detected taura virus. One large producer resorted to harvesting one crop per year rather than two, in order to counteract the

preparation of accessories, which prior to 1996 were assembled abroad, also contributed to the rise in the value of exports.



**Table 9: Garment Exports**

	1994	1995	1996 <sup>P</sup>
Volume (mn pieces)	3.3	1.8	2.0
Value (\$'000)	36.5	29.1	35.7

Source: Central Statistical Office  
<sup>P</sup> - Provisional

**Sawn Wood**

Sawn wood exports in 1996 amounted to 1.6 mn board feet valued at \$2.7 mn. Export volume and value dropped by 41.5% and 30.6%, respectively. Mexico, one of Belize's main markets for sawn wood, continued to exhibit low demand due to the continued depreciation of the New Peso. The industry also suffered from a fall

**Table 10: Sawn Wood Exports**

	1994	1995	1996 <sup>P</sup>
Volume ('000 bd. ft.)	4,437	2,661	1,556
Value (\$'000)	7,632	3,930	2,726

Source: CSO  
<sup>P</sup> - Provisional

in demand from the Jamaican market, due to sluggish economic activity. Although the majority of exports has shifted to the US market, this was insufficient to offset the loss of revenues from traditional markets.

The fall in volume was, however, partly offset by a 16.8% increase in the average unit price of sawn wood which rose to US\$0.84 compared to US\$0.72, per board foot in 1995. This increase was the result of lower world supplies as heightened global environmental concerns led to output restrictions in some areas.

**Non-Traditional Exports**

In 1996, the value of nontraditional exports rose by 28.5% to \$18.5 mn compared to 1995. This expansion was seen mainly in papayas exports, which rose three-fold by \$2.0 mn. However, the impact of this increase was partly reversed by contractions of 34.2% and 33.8% in the export value of orange oil and red kidney beans, respectively. Growth in the export

of papayas reflected an expansion of acreage under cultivation.

**Tourism**

Visitor arrivals via the Philip Goldson International Airport and the Santa Elena and Benque Viejo borders declined by 0.5% from 1995 levels. Furthermore, no cruise ships visited during the year as compared with an average annual total of 7,875 cruise ship visitors who came between 1993 and 1995.

Notwithstanding the decline in arrivals, estimates of industry earnings indicate a US \$13.0 mn increase in tourist expenditure during the year. This reflected a rise in average expenditure per day to US \$90.00, due mainly to an 11.3% increase in room rates<sup>1</sup> to US \$64.28 per night. Belize Tourist Board data indicated that room rates in San Pedro increased by 11.3% to an average of US \$100.72 per night, while prices in Caye Caulker, the lowest cost area in terms of accommodation, rose by 18.3% to US \$22.83 per night. In the Cayo district, the fastest growing tourist area, average room rates rose by 2.3% to US \$45.65 per night. The biggest increase was recorded on "other" islands where prices rose by an average of 50.5% to US \$137.35 per night. On the other hand, rates in the Corozal district declined by 0.9% to an average of US \$33.50 per night.

While the decline in arrivals in Belize was not accompanied by a fall in earnings, a general reduction in tourist arrivals throughout the Caribbean region has provoked concern from industry officials. A number of reasons, both international and domestic, have been offered to explain the slow-down in the sector's activities. One primary factor was the reduction in fares for domestic flights within the States as the US embarked on a campaign to promote domestic travel, both on the mainland and in offshore US territories (the Hawaiian Islands, the Virgin Islands and Puerto Rico).

Prices of international flights from major gateways (such as New York) were also reduced, prompting bargain hunters to choose European destinations over those in the Latin American and

<sup>1</sup>Accommodation accounts for approximately 40.0% of estimated total daily expenditure.





**Table 11: Selected Tourism Statistics**

	1994	1995	1996 <sup>P</sup>
ARRIVALS	109,309	111,677	103,167
Air	89,737	92,114	91,975
Land	10,099	11,610	11,192
Sea	9,473	7,953	0
HOTEL CAPACITY			
No. of Hotels	336	362	360
No. of Rooms	3,504	3,708	3,690
No. of Beds	5,842	6,137	6,111
Average Length of Stay (days)	9	9	9
Average Daily Expenditure per person (US\$)	82.55	82.55	90.00

Sources: Belize Tourist Board  
Immigration Department  
Central Bank of Belize

<sup>P</sup> - Provisional

Caribbean region. The Olympic Games may also have diverted potential visitors away from the region to Atlanta. In addition, the temporary lay-off of US Government workers earlier in the year

created uncertainties about future income in the minds of both public and private sector employees, leading to more conservative spending patterns.





## Monetary And Financial Developments

### Money Supply

Money supply (M2) growth moderated to 6.1% during 1996 compared to 16.2% during 1995. Breaking sharply with a five year trend, growth in 1996 was fueled almost entirely by a substantial rise in the net foreign assets of the banking system rather than in net domestic credit. A \$54.1 mn increase in the net foreign assets of

Growth in M2 was shown in increases in quasi-money and M1 of \$23.3 mn and \$12.6 mn, respectively. Quasi-money increased by 5.5%, down from 21.2% growth in 1995. The slowdown was mainly due to a decline in the growth of time deposits since savings deposits grew at a marginally higher rate than in 1995. During 1996, time deposits increased by \$17.5

Table 12: Factors Responsible For Money Supply Movements

	Position as at			Change During 1996
	Dec 94	Dec 95	Dec 96	
Net Foreign Assets	33.4	67.7	121.8	54.1
Central Bank	63.2	69.9	112.1	42.2
Commercial Bank	-29.8	-2.2	9.7	11.9
Net Domestic Credit	520.7	583.2	581.9	-1.3
Central Government (Net)	90.5	122.5	81.8	-40.7
Other Public Sector	21.6	19.3	18.8	-0.5
Private Sector	408.6	441.4	481.3	39.9
Central Bank Foreign Liabilities (Long-term)	6.9	5.6	28.4	22.8
Other Items (net)	46.9	55.9	50.0	-5.9
Money Supply M2	507.2	589.4	625.3	35.9

the banking system was accompanied by a \$1.3 mn fall in net domestic credit and \$5.9 mn decline in other items (net). However, the long-term foreign liabilities of the Central Bank rose by \$22.8 mn due to foreign financing of the Bank's Headquarters Building.

During 1996, the broad measure of money supply (M2) grew by \$35.9 mn to \$625.3 mn driven entirely by external factors. While from 1990 to 1995 the dominant factor contributing to growth in money supply was expansion in net domestic credit, increases in the net foreign assets of the banking system was the primary factor influencing growth in M2 during 1996. This turnaround followed inflows of foreign exchange from the concessional loan received by the GOB from the Government of Taiwan, the sale of Central Bank Building Bonds and a marginal improvement in the trade balance.

mn to \$327.5 mn compared to a \$69.0 mn increase in 1995. Outflows of short-term investment as well as a decline in growth rate of deposits by Asian immigrants contributed to deceleration in time deposit growth.

Savings deposits increased by \$5.8 mn (5.1%) to \$120.2 mn, up 10 basis points over growth in 1995. However, while private sector savings deposits accelerated, that of the public sector declined in absolute terms. The rise in the former was due to increased deposits by individuals and business enterprises and largely reflected the improvement in the trade balance. On the other hand, public sector savings deposits declined as the Social Security Board shifted funds from savings to higher return time deposits and the Development Finance Corporation drew down on funds for increased lending.





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**Table 13: Money Supply**

	Position as at			Change
	Dec 94	Dec 95	Dec 96	During
				1996
Money Supply (M2)	507.2	589.4	625.3	35.9
Money Supply (M1)	157.2	165.0	177.6	12.6
Currency with the Public	56.7	61.4	63.6	2.2
Demand Deposits	100.5	103.6	114.0	10.4
Quasi-Money	350.0	424.4	447.7	23.3
Savings Deposits	109.0	114.4	120.2	5.8
Time Deposits	241.0	310.0	327.5	17.5

During the year, total public sector deposits grew by 18.5% compared to a 4.0% decline during 1995. The increase was largely on account of time deposits by the Social Security Board (\$5.1 mn) and the Belize Tourist Board (\$1.5 mn).

Meanwhile, narrow money (M1) expanded by \$12.6 mn (7.6%) as demand deposits and currency with the public increased by \$10.4 mn and \$2.2 mn, respectively. Growth in demand deposits largely reflected the rise in traditional exports during 1996.

### **Net Foreign Assets**

After falling steadily from 1991 to 1994, the net foreign assets of the banking system increased for the second consecutive year, albeit at a lower rate. Improvements were recorded in the net foreign position of both the Central Bank and the commercial banks reflecting monies received from the Government of Taiwan loans, the sale of the Central Bank Building Bonds and the improvement in the trade balance.

The Central Bank's net foreign assets increased by \$42.2 mn reflecting a \$40.7 mn rise in its foreign assets and a \$1.5 mn decline in foreign demand liabilities. Purchases of foreign exchange during the year amounted to \$236.7 mn while sales totaled \$198.2 mn. Continuing a policy begun in April 1995, the Central Bank purchased proceeds from the export of sugar and molasses directly from BSI during 1996. These purchases totaled \$84.6 mn, \$23.6 mn more than in 1995 and represented its largest source of

foreign exchange. The Central Bank also purchased \$57.2 mn from GOB representing the foreign exchange proceeds from two Taiwan loans and it floated US\$12.0 mn on the regional market to finance its Headquarters building.

Of the \$198.2 mn in foreign exchange sold by the Bank during the year, \$97.3 mn was sold to the commercial banks and \$76.7 mn to GOB. The bulk of foreign exchange sales to the commercial banks took place during the last trimester of the year, as commercial banks were unable to fully meet public demand.

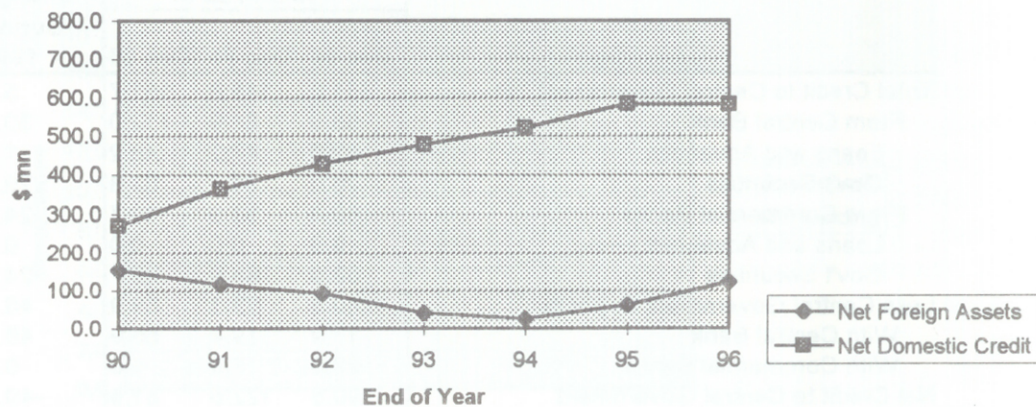
Contributing to the improvement in the Central Bank's short-term net foreign position was a \$1.5 mn reduction in foreign demand liabilities due to withdrawals from the GOB/European Economic Community (EEC) Improvement of the Hummingbird Highway Account.

The net foreign assets of the commercial banks increased by \$11.9 mn to \$9.7 mn during 1996 as a \$24.4 mn rise in foreign assets outweighed a \$12.5 mn increase in foreign liabilities. The rise in foreign assets followed an increase in foreign exchange earnings as inflows from exports of non-sugar goods and services exceeded that of 1995 by \$29.6 mn. The commercial banks' foreign asset position also benefited from an offshore loan, which was secured by citrus processors to reduce outstanding domestic liabilities.





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



### Net Domestic Credit

Interrupting a growth trend observed since 1987, net domestic credit from the banking system fell by \$1.3 mn (0.2%) to \$581.9 mn during 1996 as compared to the 12.0% expansion recorded during 1995. The decline was due to a reduction in net credit to Central Government following Government's receipt of the \$52.2 mn

February 1996 as well as a \$1.0 mn increase in the overdraft facility at the Central Bank.

Credit to the rest of the public sector from the Central Bank fell by \$0.7 mn while that from the commercial banks increased by \$0.2 mn.

At year end, the outstanding credit to the rest of the public sector stood at \$18.8 mn representing a 2.6% fall from the 1995 position. The fall in

**Table 14: Net Foreign Assets Of Banking System**

	Position as at			Change During 1996
	(\$mn)			
	Dec 94	Dec 95	Dec 96	
Net Foreign Assets of Banking System	33.4	67.7	121.8	54.1
Net Foreign Assets of Central Bank	63.2	69.9	112.1	42.2
Central Bank Foreign Assets	68.7	74.9	115.6	40.7
Central Bank Foreign Liabilities(Demand)	5.5	5.0	3.5	-1.5
Net Foreign Assets of Commercial Banks	-29.8	-2.2	9.7	11.9
Commercial Bank Foreign Assets	47.5	50.9	75.3	24.4
Commercial Bank Foreign Liabilities	77.3	53.1	65.6	12.5

loan from the Government of Taiwan, which essentially represented a partial refinancing of the external debt.

Net domestic credit to the Central Government fell by \$40.7 mn to \$81.8 mn as credit increased by \$5.9 mn and deposits rose by \$46.6 mn. The rise in total credit reflected an additional \$5.0 mn in Treasury Notes issued in

credit to the rest of the public sector from the Central Bank was the result of repayments by the GOB on behalf of Reconstruction and Development Corporation.

The rate of growth in credit to the private sector increased for the second consecutive year as the \$40.7 mn reduction in net credit to the Government facilitated a \$39.9 mn rise in private credit. The bulk of the increase in commercial



Table 15: Net Domestic Credit

	Position as at			Change During 1996
	Dec 94	Dec 95	Dec 96	
Total Credit to Central Government	131.0	145.8	151.7	5.9
From Central Bank	68.0	81.9	112.0	30.1
Loans and Advances	42.0	47.2	48.2	1.0
Gov't Securities	26.0	34.7	63.8	29.1
From Commercial Banks	63.0	63.9	39.7	-24.2
Loans and Advances	0.0	0.0	0.0	0.0
Gov't Securities	63.0	63.9	39.7	-24.2
Less Central Government Deposits	40.5	23.3	69.9	46.6
With Central Bank	17.9	19.4	65.9	46.5
With Commercial Banks	22.6	3.9	4.0	0.1
Net Credit to Central Government	90.5	122.5	81.8	-40.7
Credit to Other Public Sector	21.6	19.3	18.8	-0.5
From Central Bank	7.8	7.1	6.4	-0.7
From Commercial Banks	13.8	12.2	12.4	0.2
Plus Credit to the Private Sector	408.6	441.4	481.3	39.9
Loans and Advances	405.6	438.3	478.2	39.9
Securities	3.0	3.1	3.1	0.0
Net Domestic Credit of the Banking System	520.7	583.2	581.9	-1.3

banks' loans and advances during 1996 were for personal purposes (\$19.1 mn), to the distributive sector (\$12.3 mn), the sugar industry (\$3.4 mn) and the building and construction sector (\$2.8 mn).

In the primary sector, outstanding loans and advances fell by \$1.9 mn following repayments by the citrus, banana and commercial fishing sectors. Repayments by the citrus sector were made possible through an offshore loan while that of the banana industry directly reflected the excellent performance of the industry in 1996.

In the secondary sector, loans and advances increased by \$4.2 mn due to increases for building and construction (\$2.8 mn) and manufacturing (\$1.7 mn). At 2.8%, growth in credit to the construction sector represented a marked slowdown from the 12.0% and 10.6% growth rates noted in 1994 and 1995, respectively.

Loans and advances to the tertiary sector rose by \$18.8 mn to \$178.1 mn due mainly to a \$12.3 mn increase in loans to the distributive sub-sector. The 13.6% growth in loans for

distribution represented the highest rate of growth since 1990. Loans for personal purposes rose by \$19.1 mn or 27.0% compared to 3.9% in 1994 and 15.1% in 1995. The increase in personal loans represented 47.5% of the total increase in commercial banks' lending during the year. The rising trend may be partly indicative of the increased use of credit cards issued by commercial banks in Belize.

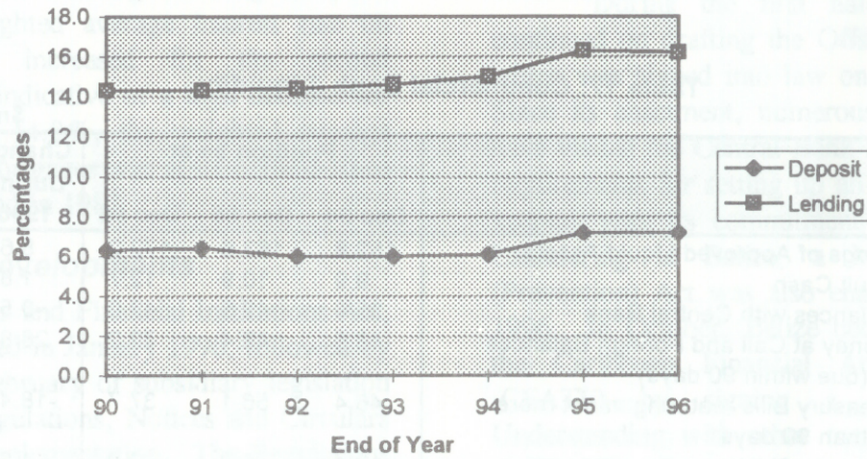
### **Liquidity and Interest Rates**

Statutory required liquidity rose by \$12.1 mn during the year and excess liquidity fell by \$3.5 mn to \$14.3 mn.

Since the bulk of export proceeds are received during the first half of the year, excess liquidity improved significantly over this period to peak at a record high of \$53.3 mn in April 1996. The significant build-up in liquidity was largely on account of two factors. First, the citrus crop which is normally financed from domestic resources was instead financed from abroad. Second, the banking system adopted a conservative stance in the management of foreign



Figure 3: Average Deposit and Lending Rates



balances during most of 1996, partly in anticipation of the repatriation of certain portfolio investments during the last quarter of the year.

During the third quarter, excess liquidity averaged \$32.7 mn with a notable decline in October as, in order to satisfy customer demand,

Table 16: Commercial Banks' Loans and Advances

	\$mn			
	Position as at			Change During 1996
	Dec 1994	Dec 1995	Dec 1996	
PRIMARY SECTOR	58.7	66.5	64.6	-1.9
Agriculture	54.1	60.4	61.2	0.8
Sugar	13.0	13.9	17.3	3.4
Citrus	23.5	27.7	24.5	-3.2
Bananas	12.6	13.0	11.9	-1.1
Other	5.0	5.8	7.5	1.7
Commercial Fishing	2.4	3.9	1.7	-2.2
Forestry	1.1	1.3	1.1	-0.2
Mining & Exploration	1.1	0.9	0.6	-0.3
SECONDARY SECTOR	130.0	144.0	148.2	4.2
Manufacturing	37.4	36.8	38.5	1.7
Building & Construction	92.6	102.4	105.2	2.8
Public Utilities	0.0	4.8	4.5	-0.3
TERTIARY SECTOR	155.3	159.3	178.1	18.8
Transport	14.5	12.5	12.3	-0.2
Tourism	20.7	19.9	18.9	-1.0
Distribution	85.2	91.0	103.3	12.3
Other*	34.9	35.9	43.6	7.7
Personal Loans	61.6	70.9	90.0	19.1
TOTAL	405.6	440.7	480.9	40.2

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





commercial banks surrendered \$21.3 mn in Treasury Bills to finance foreign exchange purchases from the Central Bank.

weighted average deposit rate was only slightly offset by a decline of 10 basis points in the weighted average lending rate.

**Table 17: Commercial Bank Liquidity**

	Position as at			Change During 1996
	Dec 94	Dec 95	Dec 96	
Holdings of Approved Liquid Assets	152.8	163.6	172.2	8.6
Vault Cash	9.9	10.9	12.7	1.8
Balances with Central Bank	35.9	42.5	42.0	-0.5
Money at Call and Foreign Balances (due within 90 days)	43.5	43.4	72.2	28.8
Treasury Bills maturing in not more than 90 days	46.4	56.1	37.7	-18.4
Treasury Notes	12.4	6.2	2.0	-4.2
Other Approved assets	4.7	4.5	5.6	1.1
Required Liquid Assets	137.1	145.8	157.9	12.1
Excess/(Deficiency) Liquid Assets	15.7	17.8	14.3	-3.5
Daily Average holdings of Cash Reserves	35.8	41.1	43.7	2.6
Required Cash Reserves	34.3	39.3	42.5	3.2
Excess/(Deficiency) Cash Reserves	1.5	1.8	1.2	-0.6

During the year, excess cash reserves fell by \$0.6 mn as daily average holdings increased by \$2.6 mn and statutory required cash reserves rose by \$3.2 mn.

For the fifth consecutive year, commercial banks' interest rate spread widened. During the year, the spread increased by 90 basis points to 10.0% as a fall of 100 basis points in the

While the weighted average interest rate on savings deposits remained unchanged at 5.3%, that paid on time deposits fell by 1.4% to 8.6% largely reflecting the high levels of liquidity experienced during most of the year.

The weighted average lending rates charged on personal and other loans fell by 20 and 10 basis points, respectively, as commercial

**Table 18: Weighted Average Interest Rates**

	Position as at			Change During 1996
	Dec 94	Dec 95	Dec 96	
Lending Rates	15.0	16.3	16.2	-0.1
Personal Loans	15.6	17.0	16.8	-0.2
Commercial Loans	14.9	16.2	16.2	0.0
Mortgage Loans	13.6	14.6	14.9	0.3
Other	17.2	17.9	17.8	-0.1
Deposit Rates	6.1	7.2	6.2	-1.0
Savings	5.3	5.3	5.3	0.0
Time	8.7	10.0	8.6	-1.4
Average Spread	8.9	9.1	10.0	0.9





banks actively promoted lending by cutting the rates charged on personal and consumer loans during the first quarter of the year. Commercial loan rates remained unchanged during the year, although the weighted average interest rate on mortgage loans increased for the second consecutive year indicative of a high demand for these loans. At 14.9%, the weighted average interest rate on mortgages was at its highest since the 16.1% recorded in 1982.

### ***Institutional Developments***

The Banks and Financial Institutions Act, (BFIA) was enacted in January 1996, followed by the issuance in February of subsidiary legislation in the form of Regulations, Notices and Circulars for its effective implementation. The Regulations prescribed minimum capital adequacy requirements for banks and introduced the risk-weighted asset approach to measuring bank solvency. The Notices prescribed liquid asset and cash reserve requirements for banks while the Circulars outlined the systems and procedures for the classification of loans and other assets, namely, the establishment of loan loss reserves and the treatment of interest on non-performing loans and other interest-bearing assets.

Along with the new legislation, two new bank returns (BR7 and BR8) were introduced. The first deals with the computation of a bank's prescribed capital ratio. This ratio was initially set at 7.0% but must increase yearly up to 9.0% by the end of 1998. The BR8 provides particulars of non-performing loans, which are loans 90 days or more in arrears. Banks are now required to submit information on abandoned

accounts/properties and to deliver the proceeds of such accounts to the Central Bank of Belize after a specified period of time.

During the first half of 1996, work continued on drafting the Offshore Banking Act, which was signed into law on August 1, 1996. Since its enactment, numerous interested parties have visited the Central Bank inquiring about the requirements for setting up an offshore bank. In keeping with its commitment to combat money laundering in Belize, a Money Laundering (Prevention) Act was also enacted on August 1, 1996. In October, Belize became a member of the Caribbean Financial Action Task Force (CFATF) by signing a Memorandum of Understanding with other member Governments at CFATF's Council Meeting in San Jose, Costa Rica. As a member of the CFATF, Belize has agreed to self assessment and mutual evaluation exercises by other members of CFATF regarding measures to counter money laundering. Belize also agreed to adopt and effectively implement the 1988 United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, fulfil the obligations expressed in CFATF's Kingston Declaration and adopt and implement any other measures for the prevention and control of the laundering of the proceeds of all serious crimes.

Work on fulfilling these obligations will be undertaken during 1997 as subsidiary legislation covering record keeping and reporting requirements for financial institutions and guidance notes will be issued under the Act.



## Central Government Operations And The Public Debt

### Central Government Operations

Central Government's activities during calendar year 1996 resulted in an overall deficit of \$11.7 mn compared to a \$46.9 mn deficit in 1995. Contributing to the sharp decline in the overall deficit was a \$19.0 mn increase in the current surplus to \$39.1 mn.

Total revenue and grants increased by \$29.2 mn to \$305.4 mn with current revenue up \$16.7 mn to \$276.6 mn and capital revenue rising by \$11.8 mn to \$20.4 mn. Grant receipts increased by \$0.7 mn to \$8.5 mn.

The rise in current revenue largely reflected a 7.8% improvement in tax revenue to \$250.2 mn, as non-tax revenue fell by 4.9%. While taxes from international trade and transactions fell by \$41.2 mn, those collected from goods and services rose by \$55.6 mn. The fall in the former directly resulted from the elimination of stamp duty on imports and export duties, and the reduction of import duty under CARICOM's Common External Tariff (CET). The implementation of the first phase of the CET coincided with the introduction of a VAT of 15.0% on April 1, 1996 which led to the marked increase in taxes on goods and services. Between April and December 1996 the VAT netted \$58.0 mn.

Notwithstanding the repeal of the Gross Receipts Tax (GRT) in April, taxes from income and profits rose to \$59.4 mn exceeding the 1995 level by 3.2%. The increase was due in part to higher collections of company taxes as the Income Tax Department made efforts to increase efficiency. These efforts are expected to continue in 1997 since the department's need for strengthening in the areas of company audits and assessments of self employed individuals has been recognized. The fact that over 90% of corporate

taxes are collected from Belize Telecommunications Limited highlights the problem.

The 4.9% fall in non-tax revenue to \$26.4 mn was largely due to lower collections of rents and royalties, and the various fees collected by government departments.

Under the Economic Citizenship Programme, Government received \$13.7 mn or 67.1% of capital revenue during 1996. Other capital receipts included \$2.7 mn from the sale of crown lands, \$1.3 mn in contributions from the Social Security Board for the health sector, and \$2.5 mn from the Social Security Board \$5.0 mn rural electrification loan.

At \$8.5 mn, grants were \$0.7 mn higher than in 1995. These included a \$5.0 mn balance of payment support grant from Taiwan, \$1.3 mn from the British Government for the resealing of the Western Highway and \$2.2 mn in

Table 19: Central Government Operations

	(\$'000)	
	Jan-Dec 1995	Jan-Dec 1996 <sup>P</sup>
Total Revenue and Grants	276,199	305,404
Current revenue	259,869	276,568
Tax revenue	232,122	250,180
Non-Tax Revenue	27,747	26,387
Capital revenue	8,543	20,353
Grants	7,786	8,483
Non-project grants	0	5,000
Total Expenditure	323,052	317,131
Current Expenditure	239,844	237,507
Capital Expenditure	83,208	79,624
Current Balance	20,025	39,061
Overall Balance	(46,853)	(11,727)
Financing	46,853	11,727
Domestic	32,116	(40,379)
External	3,662	46,613
Other	10,075	5,993

Sources: Ministry of Finance  
Central Bank of Belize  
<sup>P</sup> - Provisional





reimbursements under the United States Agency for International Development (USAID) Rural Access Roads and Bridges project.

Expenditure totaled \$317.1 mn, \$5.9 mn less than in calendar year 1995. Current expenditure fell by \$2.3 mn to \$237.5 mn with wages and salaries falling by \$7.8 mn after the retrenchment of 860 public officers. Expenditure on goods and services declined marginally by \$0.3 mn. However, while expenditure on the wage bill and goods and services fell, that on other categories increased by the combined sum of \$5.8 mn including pensions (\$1.3 mn), interest payments (\$0.1), and subsidies and current transfers (\$4.4 mn). The latter largely represented GOB's contribution to grant-aided schools.

Capital expenditure fell by \$3.6 mn to \$79.6 mn with externally funded capital expenditure (Capital III) down by \$12.5 mn to \$31.3 mn mainly due to the completion of major projects in early 1996. These projects included the Karl Heusner Memorial Hospital, the Hummingbird Highway, the Health Infrastructure Project, and the Water and Sewerage Authority project in San Pedro. Locally financed capital expenditure (Capital II) increased by \$6.5 mn to \$43.4 mn during 1996 as compared with \$36.9

mn in 1995. Of this amount, \$8.9 mn represented counterpart financing of the Belize City Infrastructure Project (\$6.1 mn) and the Southern Highway Project (\$2.8 mn). Other locally funded items included: \$2.0 mn for maintenance of feeder roads; \$1.6 mn for land development/acquisition; \$1.1 mn for rural electrification; \$1.1 mn for maintenance of the access road leading to the hydro-electric plant; \$1.0 mn in equity investment in the DFC and numerous other small projects across the country.

The overall deficit of \$11.7 mn was financed largely from abroad as external loan disbursements of \$80.0 mn outweighed amortization and sinking fund contributions of \$32.5 mn and \$0.9 mn, respectively. The single largest disbursement during 1996 was the \$52.2 mn balance of payment support loan received from the Government of Taiwan. As the proceeds of this loan were deposited into an account with the Central Bank, there was no need for Government to borrow from the domestic banking system. This contrasted with the previous year when domestic borrowing amounted to \$33.1 mn.





### **The Introduction of Value Added Tax (VAT)**

On April 1, 1996, VAT was introduced by GOB at a rate of 15.0%. At the same time, import duties were reduced from an average maximum of 45.0% to an average maximum of 35.0%. Stamp duty on imports and export duties were eliminated, and the GRT was repealed.

As countries move toward a more liberalized trade environment, a reduced dependence on taxes from international trade is recommended. Consequently, as part of its obligation under CARICOM's CET, Belize committed itself to the reduction of customs tariffs in four phases to an eventual average maximum of 20%.

It was in this context that Belize applied for, and received, a two-year delay in its implementation of the agreed rates at each stage of the implementation time-table. As a result, GOB was able to postpone the implementation of the first phase from January 1, 1993 to April 1, 1996 allowing for the opportunity to prepare for the inevitable loss in revenue that would come with the implementation of CET. Government subsequently decided to introduce another form of taxation to compensate for the loss of revenue and VAT was seen as a viable alternative since it is a tax on both goods and services. For the first time, locally produced goods and services would be taxed resulting in a broadening of the tax base. Under VAT the tax burden is more evenly distributed than under most other forms of taxation and more than 100 countries have implemented it for these reasons.

The second phase which should have been implemented on January 1, 1995 will instead be implemented on April 1 1997. The last two phases of the CET will be introduced in subsequent FYs beginning in April 1998 and ending in April 1999. During this process, import duties will be reduced by averages of 5.0% ending with the eventual maximum average of 20.0%.

The single most important objective that guided the choice of the rate of VAT was the need to have a revenue neutral effect. That is, the rate chosen should yield a quantum of revenue that would be no different from that collected under the previous tax regime. The "better-than-expected" out-turn of the VAT for 1996 must therefore be seen within the context of further declines in tax revenue from international trade over the next three FYs.

### **Central Government's Domestic Debt**

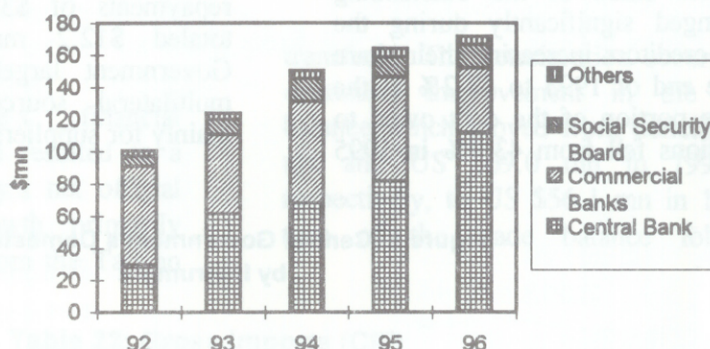
During 1996, GOB's gross domestic debt rose by \$7.7 mn to \$171.8 mn following a new \$5.0 mn Treasury note issue, disbursements of \$2.5 mn under the Rural Electrification loan from Belize Social Security Board, and a \$0.9 mn increase in the overdraft facility at the Central Bank. Loan repayments to the Social Security Board amounted to \$0.7 mn and interest payments on the domestic public debt totaled \$12.2 mn. During the year, \$60,000 in debentures were retired.

At year end, Treasury Bills accounted for 40.7% of Government's domestic debt, followed by loans and advances (32.2%), Treasury Notes (11.6%), Defence Bonds (8.7%) and Debentures (6.8%).

The Central Bank was GOB's largest domestic creditor holding 65.3% of the portfolio. Commercial banks and the Social Security Board held 23.2% and 8.4%, respectively and other, largely private sector institutions, 3.1%. While the share of debt held by the Central Bank increased from 50.0% to 65.3% during 1996, that of commercial banks fell from 39.1% to 23.2%. Two factors contributed to the change in shares. First, the Central Bank purchased \$21.3 mn in Treasury Bills from the commercial banks in secondary trading during the third quarter and second, the Bank increased its holdings of Treasury Notes by \$7.9 mn.



**Figure 4: Central Government's Domestic Debt by Holder**



### Government's Agreement with the Unions

In November 1996, Government reached a salary adjustment and compensation agreement with the Public Service Union and the Belize National Teachers' Union after prolonged discussions over the past two FYs. The package totaled \$36.5 mn of which \$27.5 mn will be disbursed over three years to FY 1998/99. It includes \$9.0 mn in interest-free bonds to compensate for a salary increase foregone in FY 1994/95. These bonds are redeemable in three equal annual drawings beginning FY 1999/2000. The Agreement called for a lump sum payment equivalent to a 2.0% salary increase for FY 1995/96. This was actually paid to public officers and teachers in FY 1996/97. A 3.0% salary increase for FY 1996/97 was paid in the same year.

A 2.0% salary increase is scheduled for payment in FY 1997/98, and a 2.0% or 3.0% salary increase is to be paid in FY 1998/99. The rate of increase that public officers and teachers will receive in FY 1998/99 will depend on Belize's macroeconomic performance.

### Public Sector External Debt

At the end of 1996 the public sector external debt stood at \$433.7 mn, up \$65.0 mn from the position at the end of 1995. Disbursements totaled \$108.1 mn and repayments amounted to \$43.2 mn resulting in net financial inflows of \$64.9 mn which can be compared with net financial outflows of \$5.1 mn in 1995. There were also positive valuation adjustments of \$0.2 mn. The significant increase in the stock of debt was influenced by the single disbursement of the Taiwan loan (\$52.2 mn) and the Central Bank Building bonds (\$24.0 mn). With interest payments totaling \$16.2 mn, net transfers (net financial inflows minus interest payments) were

**Table 20: Financial Flows on Public Sector External Debt**

	(\$000)		
	1994	1995	1996
Disbursements	57,691	38,202	108,054
Repayments	34,486	43,343	43,197
Net Financing Flows	23,205	-5,141	64,857
Interest Payments	13,449	16,014	16,246
Net Transfers	9,756	-21,155	48,611

positive at \$48.6 mn compared with negative transfers of \$21.2 mn in 1995. Without the two extraordinary inflows, net financial flows and

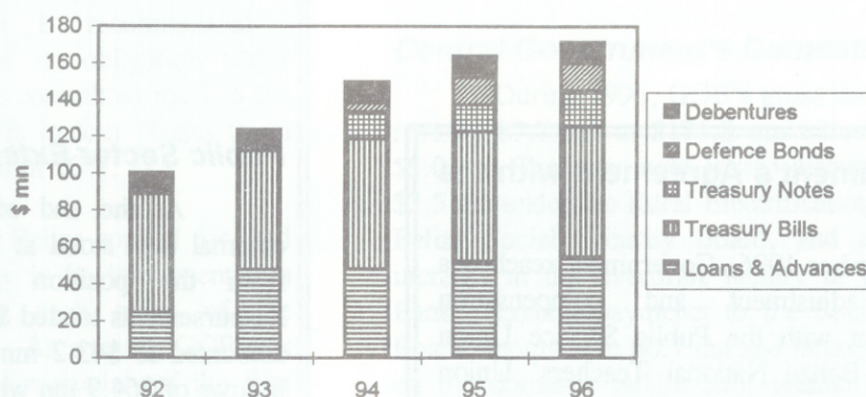


transfers would have been negative exerting significant pressure on the foreign reserves.

The creditor share of the outstanding external debt changed significantly during the year with bilateral creditors increasing their share from 36.2% at the end of 1995 to 48.2% at the end of 1996. The portion of the debt owed to multilateral institutions fell from 43.9% in 1995

\$2.4 mn to \$32.7 mn. Central Government's external debt increased by \$47.1 mn to \$339.2 mn reflecting disbursements of \$80.0 mn and repayments of \$32.5 mn. Interest payments totaled \$12.2 mn. Disbursements to the Government largely came from bilateral and multilateral sources while repayments were mainly for suppliers' credit and multilateral loans.

**Figure 5: Central Government's Domestic Debt by Instrument**



to 38.2% in 1996 while the amount due to commercial creditors fell from 19.9% to 13.7%. The change in creditor share largely reflected the disbursement of the Taiwan concessional loan to the GOB and repayments on commercial lines during 1996.

Central Government and the financial public sector largely accounted for the increase in the public sector external debt as the stock of debt held by the non-Financial public sector fell by

The external debt of the financial public sector increased by \$20.4 mn to \$61.9 mn following the regional offer of the Central Bank building bonds. Repayments of principal and interest totaled \$5.3 mn and \$1.7 mn, respectively. During 1996, the non-financial public sector made principal and interest payments of \$5.4 mn and \$2.3 mn, respectively and received disbursements of \$2.7 mn.

**Table 21: External Public Debt**

	Disbursed Outstanding Debt 31/12/95*	Transactions During 1996				Disbursed Outstanding Debt 31/12/96 <sup>P*</sup>
		Disbursements	Repayments		Valuation Adjustments	
			of Principal	Interest		
Bilateral	133,598	84,811	13,326	4,385	3,862	208,945
Multilateral	161,708	19,727	12,065	7,439	(3,729)	165,641
Commercial Banks	27,383	0	4,070	1,641	0	23,313
Suppliers Credit	45,991	3,516	13,736	2,781	56	35,827
<b>TOTAL</b>	<b>368,680</b>	<b>108,054</b>	<b>43,197</b>	<b>16,246</b>	<b>189</b>	<b>433,726</b>

<sup>P</sup> - Provisional

\* includes valuation adjustments





## Foreign Trade And Payments

### Balance Of Payments

During 1996, Belize's financial transactions with residents abroad resulted in a US \$21.1 mn rise in the country's net official international reserves. This growth primarily reflected official capital inflows from the Taiwan

transfers. The deterioration occurred in spite of continued improvement in the visible trade balance which moved from deficits of US \$80.4 mn and US \$69.0 mn in 1994 and 1995, respectively, to US \$56.1 mn in 1996. The out-turn of the trade balance followed strong

Table 22: Gross Imports (CIF)

SITC Categories	US\$ mn			
	1993	1994	1995	1996 <sup>P</sup>
Food and Live Animals	41.1	38.2	40.1	43.0
Beverages	6.9	7.7	7.2	6.9
Crude materials	2.8	2.4	1.7	1.2
Fuels and Lubricants	31.2	29.3	29.7	29.0
Animal and Vegetable Oils	1.5	1.6	1.7	1.9
Chemicals	32.1	27.9	27.1	29.3
Manufactured Goods	56.4	52.3	46.1	46.3
Machinery and Transport Equipment	73.1	66.7	66.7	64.0
Misc. Manufactured Goods	34.8	33.8	37.2	31.4
Commodities n.i.e.	0.1	0.1	0.1	1.5
<b>Total</b>	<b>279.9</b>	<b>259.9</b>	<b>258.3</b>	<b>254.5</b>

Source: CSO

<sup>P</sup> - Provisional

Loans as well as the sale of the Central Bank Building Bonds. The improvement in the capital account was, however, slightly offset by a widening of the current account deficit as net inflows from services and transfers declined.

After improving by US \$20.7 mn in 1995, the current account deficit increased marginally to a net outflow of US \$2.5 mn in 1996, largely reflecting a reduction in inflows from the export of services and unrequited

performance of the export sector and a slow-down in the rate of growth of recorded imports.

### Visible Trade

In 1996, the trade balance continued on the path of improvement begun earlier in 1994. The primary thrust behind the reduction in the trade deficit were consecutive declines in recorded imports from a high of US \$279.9 mn in 1993 to US \$223.7 mn by the end of 1996. The reduction

Table 23: Direction of Trade

	(%)					
	Gross Exports			Gross Imports		
	1994	1995	1996 <sup>P</sup>	1994	1995	1996 <sup>P</sup>
USA	38.8	32.4	43.9	53.1	54.0	54.9
UK	40.2	46.2	41.9	7.3	6.3	4.6
MEXICO	3.8	0.5	1.4	9.6	11.0	12.3
CARICOM	3.8	3.7	2.8	4.3	4.2	4.2
OTHER	13.3	17.2	10.0	25.7	24.5	24.0
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: CSO

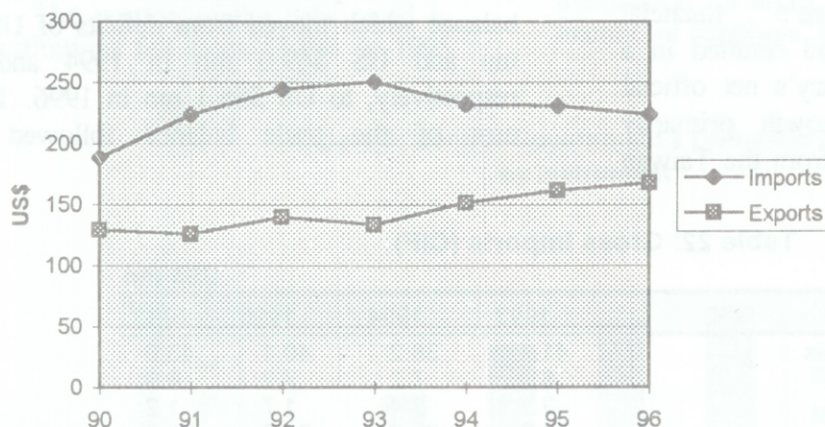
<sup>P</sup> - Provisional



was seen mostly in imports of machinery and transport equipment, and miscellaneous

value of molasses and increased earnings from the export of citrus, garments and non-traditional

**Figure 6: Domestic Exports and Gross Imports**  
1990 - 1996



Source: CSO

manufactured goods which coincided with the scaling down and completion of major Government projects over the last three and a half years.

The origin of Belize's gross imports remained relatively unchanged with the US once again being the primary source, accounting for 54.9% of the total. The portion of total imports coming from the CARICOM region remained constant at 4.2% and imports from other countries declined marginally to 24.0%. Notable variations occurred only in the share of imports from the UK, which saw a 1.7% decline at the same time that imports from Mexico increased by 1.3% over 1995. The latter reflected the substitution of imports previously sourced in other countries with less expensive Mexican goods, following the devaluation of the peso, beginning in late 1994.

While recorded imports have been declining, the value of domestic exports has been increasing by an average of 8.6% per year between 1991 and 1995. In 1996, the value of domestic exports rose by 3.5% to US \$167.6 mn, primarily due to the significant increase in banana production along with an almost doubling in the

products. These combined to offset declines in earnings from sugar, marine products and sawn wood.

The increase in Belize's US sugar quota, along with a 15.9% rise in the average price of citrus concentrate in that market resulted in an 11.5% expansion in the share of exports to the US during 1996. Conversely, exports to the UK declined by 4.3% following the reduction of the quota for SPS Arrangement and the weakening of prices for citrus products in that market. For the most part, the reduction in exports to the world market resulted from the diversion of sugar to the US to satisfy increased quota requirements. The fall in exports to CARICOM countries reflected the decline in citrus concentrate sold to the region as CARICOM countries shifted to less expensive sources such as Cuba.

Activity in the re-export trade was once again sluggish, falling to a low of US \$14.1 mn. During the past three years, the significance of the re-export trade has diminished. The improvement in port facilities in Southern Mexico has reduced the need to use the Belize City port for the importation of goods destined for markets in that area.





## Services

Net inflows on the services account declined by US \$5.0 mn, primarily reflecting an almost complete drying-up of inflows for military operations, following the phased withdrawal of the British Forces. Between 1990 and 1993, inflows for military units and agencies averaged US \$22.1 mn. By 1994, this had fallen to US \$12.3 mn. Inflows declined further to US \$3.1 mn in 1995 and, in 1996, less than US \$1.0 mn was received.

The situation was exacerbated by an increase in outflows for investment income and professional services. Profits remitted abroad rose by US \$2.1 mn, reflecting increased

construction of the Central Bank's building was the primary contributor to a US \$4.0 mn rise in external payments for professional services.

Although visitor arrivals declined marginally following the reduction of air fares to destinations within the US and Europe, inflows from tourism increased by 8.4% to an estimated US \$83.6 mn in 1996. The rise in earnings reflect an 11.3% increase in average room rates to US \$64.28 per night.

Official transfers contracted by US \$5.8 mn largely due to closure of the USAID office in Belize. This organization was once one of the largest sources of foreign assistance to Belize with

Table 24: Balance of Payments

	US\$ mn		
	1994	1995	1996 <sup>P</sup>
A. Current Account	-22.6	-1.9	-2.5
i) Merchandise Trade	-80.4	-69.0	-56.1
Exports (f.o.b.)	151.5	161.9	167.6
Imports (f.o.b.)	231.9	230.9	223.7
ii) Services (net)	28.6	29.0	24.0
of which: Travel	52.7	56.3	60.8
Investment Income	-20.1	-19.9	-21.7
iii) Transfers (net)	29.3	38.1	29.6
Official	14.8	16.4	10.6
Private	14.5	21.7	19.0
B. Capital Account	1.9	-13.4	25.5
i) Long Term Capital Flows (net)	21.5	17.8	54.2
Official	7.0	-4.1	30.7
Private	14.5	21.9	23.5
ii) Short Term Capital Flows (net)	-19.7	-31.2	-28.7
C. Net Errors and Omissions	16.4	18.6	-1.9
D. Change in Reserves (- = increase)	4.3	-3.3	-21.1
Memo Items: Current Account/GDP (%)	5.0	0.4	0.5
Import Cover (Months)	1.4	1.5	2.6

<sup>P</sup> - Provisional

outflows from airline companies and commercial banks. A \$2.8 mn increase in remitted dividends was primarily the result of increased payments made by one commercial bank to its holding company. These outflows offset a US \$1.0 mn rise in interest earned on the Central Bank's investments abroad largely of funds received under the Taiwan Loans and Central Bank Building bond issue. The commencement of

inflows averaging more than US \$5.0 mn per year between 1990 and 1995. During 1996, foreign assistance came mainly from the EEC, the UK, Taiwan and the Caribbean Development Bank. The slow down in foreign aid was only partly offset by a US \$3.0 mn rise in expenditure by international organizations. Private transfers were US \$2.7 mn below inflows in 1995, reflecting a





**Table 25: Official International Reserves**

	US\$m		
	Dec 1994	Dec 1995	Dec 1996
1. Gross Official Reserves	34.4	37.4	57.8
Central Bank of Belize	27.5	30.5	51.0
Holdings of SDRs	0.6	0.7	0.9
IMF Reserve Tranche	4.3	4.3	4.2
Other	22.6	25.5	45.9
Central Government	6.9	6.9	6.8
2. Foreign Liabilities	2.8	2.5	1.8
CDB	0.0	0.0	0.0
CARICOM	0.2	0.2	0.2
Other	2.3	2.3	1.6
3. Net Official International Reserves	31.6	34.9	56.0

US \$4.0 mn reduction in worker remittances from abroad.

#### **The Capital Account**

Capital account transactions resulted in a turn-around from the previous year with net inflows amounting to US \$25.5 mn as opposed to net outflows of US \$13.4 mn in 1995. Movements in the account were dominated by inflows from the Taiwan Loans and the Central Bank Building Bonds resulting in public sector loan drawings rising by US \$34.8 mn and loan repayments falling marginally.

Private capital inflows rose by US \$9.3 mn largely reflecting a US\$9.0 mn foreign loan to the citrus industry. Private capital outflows nevertheless increased by US \$10.3 mn to US \$104.9 mn, largely reflecting the repatriation of portfolio investment funds (US \$4.2 mn) and a

US \$2.7 mn rise in private sector foreign loan repayments.

#### ***Official International Reserves***

Net official international reserves saw a marked increase in 1996, rising by US \$21.1 mn to US \$56.0 mn by the end of December 1996. This growth was propelled by a US \$20.4 mn increase in gross official foreign exchange assets, primarily reflecting inflows of US \$26.1 mn from the Taiwan Loan and US \$12.0 mn from the Central Bank Building Bonds. At the same time, foreign demand liabilities contracted by US \$0.7 mn particularly as a result of withdrawals from the GOB account for the improvement of the Hummingbird Highway.





## Economic Prospects

Real economic activity is expected to grow by at least 2.5% during 1997 based on projections of moderate growth in the export sector and marginal improvement in Central Government's fiscal accounts.

The production of sugar cane is likely to reach 1.1 mn long tons, from which 113,000 long tons of sugar will be processed. Exports are expected to increase to 98.0 thousand long tons and earnings rise marginally to \$94.7 mn.

Sugar exports to the US should remain relatively stable at the 1996 figure of 23,000 long tons with earnings of \$21.4 mn since it is likely that the base quota of 17,000 long tons will be supplemented by an additional 6,000 long tons due to quota re-allocations. The latter would be due primarily to anticipated shortfalls in supply by some Caribbean countries which experienced adverse production conditions during 1996. However, exports of sugar to the EEC should fall to 48,700 long tons with earnings down by 3.4% to \$60.0 mn since the decline in Belize's SPS Arrangement allocation has resulted in an overall contraction in the EEC quota. The reduction in Belize's SPS Arrangement reflects further downward revision of the EEC demand for sugar from the ACP countries. Sales to the world market should therefore increase by 20.0% to 26,300 long tons. While world market prices are expected to fall, earnings are expected to increase, as export volume should rise by a larger amount.

Citrus production should to increase to 5.2 mn boxes, as a number of new groves reach maturation during 1997. Export earnings from citrus concentrate, single strength juices and oil are therefore projected to rise by approximately 18.0% to \$74.4 mn. World market prices for these products are expected to increase as the cold weather experienced by Florida growers in late 1996 and early 1997, will adversely impact production in 1997. During 1997, the industry

will receive offshore financing amounting to \$24.0 mn.

Given the banana industry's failure to negotiate a satisfactory arrangement for the sale of excess bananas during 1996, a further increase in Belize's quota is not immediately foreseeable. Production is therefore expected to remain at the existing level of 61,000 metric tons. A projected 5.0% rise in earnings to \$64.0 mn will therefore be mainly due to an expected increase in the EEC quality bonus.

Earnings from marine exports are projected to grow by 14.4% to \$33.4 mn, as the production of shrimp farms increase. This industry has been fairly successful in dealing with the threat of the taura virus during 1996 and it is expected that more advanced techniques will be used to increase the size of the shrimp harvest during 1997. World market prices for conch, whole lobster and lobster tails are also expected to improve from the depressed levels in 1996.

The next year holds promise for the local tourist industry as some of the factors which beset the industry in 1996 should be reversed. Tourist arrivals should increase by 5.0% as a promotional campaign targeted at industrial countries continues. Additionally, the cruise tax was reduced from US \$10.00 to US \$7.50 in an effort to attract cruise ship visitors. Already, a number of new cruise lines have been granted licenses to visit Belize during 1997. Nevertheless, other problems affecting this segment of the industry, such as high docking fees and the absence of a deep-water pier persist.

In 1997, local tourism officials will continue efforts to attract more visitors during the summer months, which typically constitute the low season for the industry. Europeans and Canadians constitute a significant portion of this targeted market since, on average, they tend to take longer vacations while Americans generally





tend to travel within the US during the summer months.

Since neighboring countries in Central America and Mexico offer a similar product, usually at lower prices Belize may have to seriously re-consider the cost of its tourist related services and attractions in the future. It is generally felt that while the attractions may be competitive, the hospitality aspect of the industry is the area which is most in need of improvement. In a positive development for the industry, work is expected to commence in early 1997 on the construction of a parallel taxi way at the Philip Goldson International Airport to enable larger aircraft to be accommodated.

A marginal improvement is expected in Government's fiscal accounts during FY 1997/98, as the Government continues to implement measures designed to further reduce the fiscal deficit. Steps are to be taken to improve the efficiency of the revenue collecting agencies which will coincide with the implementation of the second phase of the CET on April 1, 1997. At the same time, Government has indicated its commitment to the further containment of growth in expenditure. These measures are expected to result in public savings which should have a positive impact on the country's official international reserves.





# OPERATIONS

## Foreign Exchange Operations

Daily foreign exchange transactions during the year between the Central Bank and authorized dealers primarily involved currencies such as the US dollar, pound sterling and the

mn. Such trading turned out to be largely dominated by Barbados and Eastern Caribbean dollars.

**Table 26: Central Bank Dealings in Foreign Exchange 1996**

Month	US & Canadian Dollars and £ Sterling			CARICOM Currencies		
	Purchases	Sales	Net	Purchases	Sales	Net
January	11.1	10.7	0.4	0.0	0.2	-0.2
February	15.9	9.0	6.9	0.0	0.2	-0.2
March	10.7	15.9	-5.2	0.0	0.2	-0.2
April	13.7	11.5	2.2	0.0	0.2	-0.2
May	13.2	11.1	2.1	0.0	0.2	-0.2
June	11.1	15.6	-4.5	0.0	0.3	-0.3
July	85.9	18.1	67.8	0.0	0.3	-0.3
August	24.1	12.7	11.4	0.0	0.1	-0.1
September	4.7	30.7	-26.0	0.0	0.3	-0.3
October	5.6	25.7	-20.1	0.0	0.1	-0.1
November	20.4	15.6	4.8	0.0	0.3	-0.3
December	19.4	23.2	-3.8	0.0	0.1	-0.1
<b>Total</b>	<b>235.8</b>	<b>199.8</b>	<b>36.0</b>	<b>0.0</b>	<b>2.5</b>	<b>-2.5</b>

Canadian dollar. These transactions resulted in net purchases by the Bank of \$36.0 mn. The Bank also engaged in daily trading of CARICOM currencies and this resulted in net sales of \$2.5

### **External Assets Ratio**

During 1996, the external assets of the Bank consisted of foreign notes and coins,

**Table 27: External Asset Ratio 1996**

Month	Assets \$'000	Liabilities \$'000	External Assets Ratio %
January	61,263	124,203	49.32
February	67,940	131,694	51.59
March	62,857	131,272	47.88
April	65,442	124,383	52.61
May	68,137	126,191	54.00
June	63,671	121,516	52.40
July	131,868	174,976	75.36
August	143,945	180,529	79.74
September	118,494	160,792	73.69
October	98,814	162,490	60.81
November	104,019	167,859	61.97
December*	100,773	169,957	59.29

\* Provisional





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

Section 25(2) of the Central Bank of Belize Act, 1982 requires the Bank to maintain a reserve of external assets of not less than 40.0%

of the aggregate amount of notes and coins in circulation and the Bank's liabilities to its customers in respect of sight and time deposits.

The ratio fluctuated during the year, reaching a low of 47.88% in March and attaining its highest level of 79.74% in August. At no time did it fall below the legal requirement. At the end of the year the external assets ratio stood at 59.29%.

Month	External Assets	Notes and Coins in Circulation	Liabilities to Customers	Ratio (%)
January	128,502	157,034	157,034	47.88
February	131,034	157,034	157,034	47.88
March	128,502	157,034	157,034	47.88
April	131,034	157,034	157,034	47.88
May	131,034	157,034	157,034	47.88
June	131,034	157,034	157,034	47.88
July	131,034	157,034	157,034	47.88
August	131,034	157,034	157,034	47.88
September	131,034	157,034	157,034	47.88
October	131,034	157,034	157,034	47.88
November	131,034	157,034	157,034	47.88
December	131,034	157,034	157,034	47.88
Total	131,034	157,034	157,034	47.88

Table 27: External Assets Ratio 1988

Month	External Assets	Notes and Coins in Circulation	Liabilities to Customers	Ratio (%)
January	128,502	157,034	157,034	47.88
February	131,034	157,034	157,034	47.88
March	128,502	157,034	157,034	47.88
April	131,034	157,034	157,034	47.88
May	131,034	157,034	157,034	47.88
June	131,034	157,034	157,034	47.88
July	131,034	157,034	157,034	47.88
August	131,034	157,034	157,034	47.88
September	131,034	157,034	157,034	47.88
October	131,034	157,034	157,034	47.88
November	131,034	157,034	157,034	47.88
December	131,034	157,034	157,034	47.88
Total	131,034	157,034	157,034	47.88



## DOMESTIC OPERATIONS

### Currency in Circulation

During the year, currency in circulation increased by \$5.0 mn to reach \$76.3 mn at the end of December. In line with the seasonal

cash held by commercial banks rose by \$3.1 mn during the year, the actual increase in currency held by the public turned out to be \$6.1 mn up to a total of \$63.6 mn.

**Table 28: Currency in Circulation 1996**

Month	Notes	Coins	Total	\$mn	
				Commercial Banks Vault Cash	Currency With Public
January	60.2	6.9	67.2	9.6	57.5
February	60.5	6.9	67.4	8.5	58.9
March	64.2	7.0	71.1	6.6	64.5
April	63.4	7.1	70.5	8.8	61.7
May	64.6	7.2	71.8	6.3	65.6
June	66.1	7.2	73.4	7.4	65.9
July	62.9	7.2	70.1	9.0	61.1
August	65.0	7.3	72.3	6.5	65.8
September	64.4	7.3	71.7	9.9	61.8
October	61.2	7.3	68.5	10.1	58.5
November	65.8	7.3	73.1	8.4	64.7
December	68.8	7.5	76.3	12.7	63.6

pattern normally displayed, the lowest levels occurred in January and February and the highest in June and December. Of the total in circulation during December, \$68.8 mn was held in the form of notes and the remainder in coins. As vault

### Cash Balances

The commercial banks were required to maintain 7.0% of their average deposit liabilities on deposit with the Central Bank and during the

**Table 29: Commercial Bank Balances with the Central Bank**

Month	Average Deposit Liabilities	Required Minimum Balance	\$mn	
			Actual Balances Held	Excess/ (Shortfall)
January	565.3	39.6	46.1	6.6
February	570.5	39.9	45.4	5.4
March	574.0	40.2	48.5	8.4
April	589.1	41.2	48.9	7.6
May	605.2	42.4	47.7	5.3
June	605.9	42.4	47.7	5.3
July	612.2	42.9	48.0	5.1
August	604.3	42.3	52.2	9.9
September	608.0	42.6	45.9	3.4
October	614.7	43.0	44.4	1.3
November	604.2	42.3	44.6	2.3
December	607.3	42.5	43.7	1.2



year the average of such cash balances fluctuated between 7.2% and 8.6%.

to be dominated by the commercial banks and purchases by individuals remained insignificant.

**Table 30: Central Bank Credit to Government**

Month							\$mn	
	Treasury Bills	Treasury Notes	Defence Bonds	Other Securities	Total Securities	Overdraft Balance	A	B
January	9.4	9.8	10.0	4.7	33.9	48.3	1.76	18.43
February	6.4	14.8	10.0	4.7	35.9	47.3	1.86	18.05
March	7.7	14.8	10.0	4.7	37.2	50.9	1.93	19.42
April	0.2	14.8	10.0	4.7	29.7	50.0	1.54	19.29
May	0.1	14.8	10.0	4.7	29.6	51.1	1.53	19.72
June	0.1	14.8	10.0	4.7	29.6	47.6	1.53	18.37
July	5.1	14.8	10.0	4.7	34.6	51.6	1.79	19.91
August	0.1	14.8	10.0	4.7	29.6	50.4	1.53	19.45
September	9.0	14.8	10.0	4.7	38.5	46.9	1.99	18.10
October	26.3	14.8	10.0	4.7	55.8	51.2	2.89	19.75
November	27.4	14.8	10.0	4.7	56.9	50.7	2.95	19.56
December	31.5	17.7	10.0	4.7	63.9	48.2	3.31	18.60

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 \$262.1 mn, Government's current revenue collected for fiscal year 1994/95 for the period January to March and \$259.2 for the period April to December.

### **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 20.0% of current revenue collected during the preceding financial year or a sum of \$50.0 mn, whichever is greater. During 1996, 20.0% of the preceding year's revenue amounted to \$51.8 mn. Advances to Central Government reached a high of \$51.5 mn during July but was reduced to \$48.2 mn by the end of the year.

The Central Bank may also hold GOB securities up to a maximum of five times the Bank's paid-up capital and reserves. In December of 1996, these holdings totaled \$63.9 mn, 3.31 times the Bank's paid-up capital and reserves.

### **Government Securities Operations**

#### **Treasury Bills**

Treasury Bills operations conducted by the Central Bank on behalf of the GOB continued

Treasury Bill yields declined from 4.0% in January to 3.7% in December 1996 largely reflecting competitive bidding by the commercial banks. Total Treasury Bills outstanding as at December 31, 1996 was at its maximum of \$70.0 mn.

#### **Treasury Notes**

Under the 1993 amendment to the Treasury Bill Act, the GOB may issue up to \$25.0 mn in Treasury Notes which have a one-year maturity period and carry a 9% rate of interest. A new \$5.0 mn issue which was fully subscribed by the Central Bank during the year brought the total outstanding to \$20.0 mn. Of this amount, the Central Bank held \$17.7 mn and private sector institutions and individuals held \$2.3 mn.

#### **Defence Bonds**

Government may issue up to \$25.0 mn in Defence Bonds. There were two issues outstanding at the end of 1996. Issue number 1/1994 amounting to \$5.0 mn at an interest rate



year the average of such cash balances fluctuated between 7.2% and 8.6%.

to be dominated by the commercial banks and purchases by individuals remained insignificant.

**Table 30: Central Bank Credit to Government**

Month							\$mn	
	Treasury Bills	Treasury Notes	Defence Bonds	Other Securities	Total Securities	Overdraft Balance	A	B
January	9.4	9.8	10.0	4.7	33.9	48.3	1.76	18.43
February	6.4	14.8	10.0	4.7	35.9	47.3	1.86	18.05
March	7.7	14.8	10.0	4.7	37.2	50.9	1.93	19.42
April	0.2	14.8	10.0	4.7	29.7	50.0	1.54	19.29
May	0.1	14.8	10.0	4.7	29.6	51.1	1.53	19.72
June	0.1	14.8	10.0	4.7	29.6	47.6	1.53	18.37
July	5.1	14.8	10.0	4.7	34.6	51.6	1.79	19.91
August	0.1	14.8	10.0	4.7	29.6	50.4	1.53	19.45
September	9.0	14.8	10.0	4.7	38.5	46.9	1.99	18.10
October	26.3	14.8	10.0	4.7	55.8	51.2	2.89	19.75
November	27.4	14.8	10.0	4.7	56.9	50.7	2.95	19.56
December	31.5	17.7	10.0	4.7	63.9	48.2	3.31	18.60

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 \$262.1 mn, Government's current revenue collected for fiscal year 1994/95 for the period January to March and \$259.2 for the period April to December.

### **Transactions with Central Government**

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The Central Bank may also hold GOB securities up to a maximum of five times the Bank's paid-up capital and reserves. In December of 1996, these holdings totaled \$63.9 mn, 3.31 times the Bank's paid-up capital and reserves.

### **Government Securities Operations**

#### **Treasury Bills**

Treasury Bills operations conducted by the Central Bank on behalf of the GOB continued

Treasury Bill yields declined from 4.0% in January to 3.7% in December 1996 largely reflecting competitive bidding by the commercial banks. Total Treasury Bills outstanding as at December 31, 1996 was at its maximum of \$70.0 mn.

#### **Treasury Notes**

Under the 1993 amendment to the Treasury Bill Act, the GOB may issue up to \$25.0 mn in Treasury Notes which have a one-year maturity period and carry a 9% rate of interest. A new \$5.0 mn issue which was fully subscribed by the Central Bank during the year brought the total outstanding to \$20.0 mn. Of this amount, the Central Bank held \$17.7 mn and private sector institutions and individuals held \$2.3 mn.

#### **Defence Bonds**

Government may issue up to \$25.0 mn in Defence Bonds. There were two issues outstanding at the end of 1996. Issue number 1/1994 amounting to \$5.0 mn at an interest rate





**Table 31: Government of Belize Treasury Bill Issues**

Issue Number	Issue Date	Tender \$ mn	Allotment \$ mn	Average Discount Rate	Average Yield To Maturity
1/96	11/01/96	15.4	15.4	3.94	3.98
2/96	08/02/96	13.2	13.2	3.94	3.98
3/96	20/02/96	5.8	5.8	3.96	4.00
4/96	20/03/96	35.6	35.6	3.94	3.98
5/96	11/04/96	15.4	15.4	3.94	3.98
6/96	09/05/96	16.2	13.2	3.89	3.93
7/96	21/05/96	11.6	5.8	3.86	3.90
8/96	19/06/96	54.9	35.6	3.75	3.79
9/96	11/07/96	24.4	15.4	3.74	3.78
10/96	08/08/96	13.2	13.2	3.71	3.74
11/96	20/08/96	9.8	5.8	3.66	3.69
12/96	18/09/96	59.6	35.6	3.64	3.68
13/96	10/10/96	17.4	15.4	3.65	3.68
14/96	07/11/96	13.2	13.2	3.63	3.66
15/96	20/11/96	5.8	5.8	3.63	3.66
16/96	18/12/96	42.6	35.6	3.63	3.66

of 9.0% was held largely by the Social Security Board. Issue number 1/1995 amounting to \$10.0 mn at an interest rate of 9.0% was held largely by the Central Bank. Defence Bonds have a five-year maturity period.

### **Inter-Bank Market**

Activity in the Inter-Bank Market was limited to a few offers to place funds for lending. These offers were not accepted since there were no matching requests. It was subsequently decided that in order to foster increased activity, the Central Bank should begin to intermediate by informing the banks of offers for placement and loans requests as they arise.

### **Supervision of the Financial System**

During the year, the Central Bank supervised the commercial banks to ensure

compliance with legal requirements and promote prudent banking practices through on-site examinations and off-site monitoring of returns submitted by the commercial banks to the Central Bank.

Three full scope on-site examinations of commercial banks were conducted by the Financial Sector Supervision Department (FSSD) in which emphasis was placed on compliance with the provisions of the BFIA. No serious violations of the BFIA were uncovered during the course of these exercises. The FSSD also processed several applications under Section 21(2) of the BFIA which governs large borrowings in excess of 25.0% of a commercial bank's capital and reserves. Of these, a total of 16 were approved for loans amounting to \$134.2 mn.





## ADMINISTRATION

### **The Board Of Directors**

The Board of Directors held 10 meetings in 1996 and considered 80 submissions.

### **Overseas Meeting**

Among the meetings and conferences attended by the Governor in 1996 were:

- Conference on Policy-based Finance and Alternatives for Financial Market Development, Application to Latin America and the Caribbean in Brazil (February);
- 37th Annual Meeting of the Board of Governors of the IDB in Argentina (March);
- 26th Annual Board of Governors Meeting of the Caribbean Development Bank in Guadeloupe (May);
- Meeting of Western Hemisphere Finance Ministers in New Orleans (May);
- The Bank of England's Annual Meeting of Central Bank Governors in London (June);
- The Inter-American Business Conference & Trade Exposition in New Orleans (August);
- The Caribbean Financial Action Task Force Council Meeting in Costa Rica (October);
- A CCMS Day of Tribute for the Hon. William Demas in T&T (October);
- IMF/World Bank Annual Meetings in Washington, D.C. (October); and
- The CARICOM Central Bank Governors Meeting in St. Kitts (November).

In 1996, the Central Bank hosted the May meeting of Central Bank Governors in Belize City, which was chaired by Governor Arnold.

The Deputy Governor attended the Offshore Investment Annual Caribbean Conference in Puerto Rico in May; the Ninth International Conference of Banking Supervisors in Sweden in June, and also attended several regional meetings connected with activities in the regional integration movement specifically on currency convertibility and economic convergence. She was also the Central Bank's representative on the executive committee of the CCMS. In addition, she accompanied the Governor to the IMF/World Bank meeting and Caricom Central Bank Governors' meeting.

Other members of management staff represented the Bank at the following conferences:

- 2nd Annual World Bank Conference on Development in Latin America and the Caribbean in Columbia;
- 13th Assembly of the Association of Latin America and Caribbean Bank Supervisors in Santo Domingo;
- Meeting on Currency Repatriation in CARICOM Countries in T&T;
- Meeting of Central Bank Treasurers in Columbia;
- 7th Annual Conference of Regional Central Bank Information Systems Specialists in St. Kitts; and
- 28th Annual Conference on Monetary Studies in T&T.

### **Central Bank Headquarters Building Project**

Shortly after receiving the GOB's approval to proceed, the Central Bank began Phase II of the project by issuing a formal letter of intent to Kier International on May 9, 1996.





The letter was based on an agreed Lump Sum Fixed Price for design, construction and outfitting the building of \$21,901,697 and a construction work programme of less than 2 years. Mobilization and site clearance began almost immediately in preparation for the official commencement of construction on June 20, 1996.

A resident team consisting of a structural engineer, a mechanical and electrical engineer and a clerk of works from the Belizean firm of Anthony Thurton & Associates, and a cost controller/project manager from the UK, were recruited during the year to protect the Central Bank's interests by independently monitoring and supervising the work being carried out by Kier International at the site. The Central Bank also employed Belizean engineer and contractor, Mr. Bernard Cunningham of Cunningham & Associates, to act as Technical Adviser to the Governor with the mandate of exercising a watching brief over all matters pertaining to the successful implementation of the project. With a view to continued maximization of Belizean input, the Bank solicited information and visited local furniture manufacturers in the last quarter of the year to determine use of technology and storage capacity as it was decided that a significant portion of the furniture needed for the new headquarters should be locally sourced.

To occasionally assist in clearing up public misconceptions and facilitate dissemination of general information about the project, the Central Bank commissioned the work of Belcaribe Communications Ltd. during the year. Work on the restoration of the old prison which is located on the building site also began as the Central Bank hired the local firm of A.S. Johnson to construct a new roof for the prison in October. At the same time, the Bank sponsored a schools coin design poster competition with a view to eventually minting and marketing a special coin. The proceeds from the sale of this coin are to be devoted to the restoration of the old prison building.

### **Management Information Systems (MIS)**

The Advice Voucher System (AVS), developed in-house as a banking system, was fully implemented in 1996. The AVS provides on-line balances on all accounts and a suite of on-line reports and inquiries. New management

reports were added including a breakdown of sales and purchases of foreign exchange by user-defined categories, and a forecast report on projected inflows and outflows of foreign exchange based on future transactions.

Most of the personal computers in the Bank were upgraded from Windows 3.11 to Windows 95 during the year. These machines were then connected to the Unix Ethernet network via network hubs and configured for resource sharing using the Microsoft networking software. The ICE/TCP connectivity software was used to integrate the Unix and Windows environments.

The Unibol software, used by the two foreign exchange systems in the Research Department was upgraded from version 4.2 to 5.0. This version includes IBM System/36 features and utilities not previously supported and a new version of Intelligent Query (IQ), a database query utility.

### **Finance**

The financial statements of the Central Bank for the year ended December 31, 1996, with comparative figures for the previous year are annexed to this report.

During the year, the Bank's total assets increased by 48.3% to \$230.6 mn with external and domestic assets both increasing sharply. Approved external assets expanded by 65.3% to \$100.8 mn largely due to the proceeds of US dollar bonds floated on the regional capital market and loan funds received by the GOB from the Government of Taiwan. A 37.4 % rise in domestic assets to \$129.8 mn reflected an increase in lending to the GOB through the purchase, as well as expenditure on the Bank's new headquarters building.

At year end, the Bank's net operating surplus amounted to \$5.4 mn compared to \$4.0 mn in 1995. Gross earnings totaled \$13.9 mn including interest income of \$12.4 mn and commissions and other income of \$1.8 mn. Current expenditure totaled \$8.8 mn with staff costs, interest payments and other operating costs accounting for 44.3%, 19.3% and 36.4%, respectively.

As provided for under Section 9(1) of the Central Bank Act, \$1.1 mn or 20% of the net operating surplus will be paid into the Central Bank's General Reserve Fund and the balance of





\$4.3 mn will be transferred to the Accountant General for the GOB Consolidated Revenue Fund.

On July 15, 1996 the Central Bank floated US dollar denominated bonds on the regional capital market. The issue totaled US\$12.0 mn at 11.75% redeemable over a seven year period. The proceeds will be used to finance the construction and furnishing of the Bank's new headquarters building. Interest will be paid semi-annually over the life of the bonds and principal repayments will take place in eight equal installments beginning January 2000 and ending July 2003. The Central Bank's paying agent for these is Citicorp Merchant Bank Limited of T&T.

## **Human Resources**

### **Staffing**

Of the 129 established posts in the Bank, 116 were filled by the end of December 1996. This included permanent and contract staff who was supplemented by an additional 7 temporary and part-time employees. The Bank's permanent staff declined by 14 during the year reflecting a turnover rate of 12.3%. This is a 4.0% increase when compared to the previous year.

During 1996, there were three promotions to the managerial level. Miss Marilyn Gardiner, Miss Andrea McKoy and Mrs. Sheree Smiling-Craig were appointed to the posts of Manager, Banking & Currency Department; Assistant Manager, Finance Department; and Assistant Manager, Human Relations in the Human Resources Department, respectively.

The Security Unit reached its full complement of 20 Officers headed by the Chief of Security, consequently eliminating the need for the hiring of private security.

Awards were presented to 5 members of staff in recognition for 10 years of service in the bank. Also, a reward system was introduced to identify and reward staff for effectiveness. Members of staff voted for the best Team Players

among colleagues in their Department and the Management staff of each Department evaluated the performance of employees to select the Department's Overall Achiever. All awards were presented at the Bank's Annual Christmas Party.

### **Staff Development**

In keeping with the Bank's continued emphasis on developing key competencies for improved job performance, staff members participated in several local and overseas training programmes during 1996. These training seminars included: Off-site Surveillance Training Seminar; Technical Presentation on Current Key Issues Surrounding Banknote Security; IMF Balance of Payments 5th Edition Training; IDB - NAFIN Currency Pooling System Workshop Program; Training Seminar on Regional Information System on Trade & Investments Data Project; Commonwealth Secretariat Workshop on Effective Debt Management; CEMLA Seminar on Fiscal Policy; IMF Financial Programming and Policy Course; Seminar for International Auditors on EDP Audit; Course on "Payments Systems & Settlements; Demonstration of the Configuration of the Security Control System; Economic Aspects of Central Banking Policy Techniques for Small & Open Economies; and a Specialized Course in Management and Operations.

Much attention was given to sharpening the technical skills of auxiliary and supervisory staff. The secretarial pool attended courses geared towards improving their grammatical, proofreading, business writing and organizational skills. Newly appointed supervisors were introduced to supervisory management theory while the leadership skills of the more experienced supervisors were further developed through advanced training. Professional staff in the Bank participated in a training course aimed at discovering their innate creative abilities. The objectives of the course were to enhance productivity of participants and to make their job more rewarding.





## STATISTICAL APPENDIX

**Table 32: Gross Domestic Product, by Industrial Origin, At Factor Cost**

	Constant (1984) Prices \$'000				
	1992	1993	1994	1995	1996 <sup>P</sup>
Gross Domestic Product	644,120	672,063	682,152	707,942	718,457
Primary Activities	131,644	131,996	135,133	142,821	151,521
Agriculture	89,688	89,062	91,486	98,528	111,636
Forestry & Logging	18,023	17,001	19,271	15,907	14,484
Fishing	18,789	20,531	19,467	23,057	20,294
Mining	5,145	5,402	4,910	5,329	5,107
Secondary Activities	166,530	179,800	174,412	179,746	177,384
Manufacturing	105,416	110,381	115,637	120,674	120,966
Electricity & Water	12,042	13,334	14,193	14,652	14,970
Construction	49,073	56,086	44,582	44,421	41,449
Service	367,879	382,854	395,448	409,016	412,669
Trade, Restaurant & Hotel	114,445	118,792	124,012	127,167	125,363
Transport & Communications	92,583	98,247	99,395	105,174	109,623
Finance & Insurance	30,573	31,839	33,155	34,317	33,558
Real Estate & Business Services	31,660	32,889	34,248	35,763	37,307
Public Administration	53,627	54,916	57,105	57,829	56,807
Comm. & Other Services	44,991	46,181	47,533	48,772	50,011
Less imputed bank service charges	21,934	22,597	22,840	23,641	23,116

Source: CSO

<sup>P</sup> - Provisional





**Table 33: Annual Percentage Change in GDP by Sector**

	Constant (1984) Prices \$'000				
	1992	1993	1994	1995	1996 <sup>P</sup>
Gross Domestic Product	9.5	4.3	1.5	3.8	1.5
Primary Activities	14.3	0.3	2.4	5.7	6.1
Agriculture	15.1	(0.7)	2.7	7.7	13.3
Forestry & Logging	3.9	(5.7)	13.3	(17.5)	(8.9)
Fishing	28.2	9.3	(5.2)	18.4	(12.0)
Mining	(2.7)	5.0	(9.1)	8.5	(4.2)
Secondary Activities	9.0	8.0	(3.0)	3.1	(1.3)
Manufacturing	7.6	4.7	4.8	4.4	0.2
Electricity & Water	8.6	10.7	6.4	3.2	2.2
Construction	12.1	14.3	(20.5)	(0.4)	(6.7)
Service	8.1	4.1	3.3	3.4	0.9
Trade, Restaurant & Hotel	6.2	3.8	4.4	2.5	(1.4)
Transport & Communications	18.4	6.1	1.2	5.8	4.2
Finance & Insurance	7.1	4.1	4.1	3.5	(2.2)
Real Estate & Bus. Services	4.6	3.9	4.1	4.4	4.3
Public Administration	3.5	2.4	4.0	1.3	(1.8)
Comm. & Other Services	2.6	2.6	2.9	2.6	2.5
Less imputed bank service charges	8.5	3.0	1.1	3.5	(2.2)

Source: CSO

<sup>P</sup> - Provisional





**Table 34: Balance of Payments, 1994 - 1996**  
**Non Factor & Factor Services**

	US\$mn								
	1994			1995			1996 <sup>P</sup>		
	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net
Current Account	330.7	353.2	-22.5	350.8	352.7	-1.9	348.2	350.7	-2.5
Visible Trade	151.5	231.9	-80.4	161.9	230.9	-69.0	167.6	223.7	-56.1
Invisible Trade	144.8	116.2	28.7	145.8	116.7	29.1	146.4	122.4	24.0
Factor Income	6.6	28.4	-21.9	6.9	28.9	-22.0	8.4	32.3	-23.9
Labour Income	3.7	5.3	-1.6	4.1	5.7	-1.7	4.5	6.2	-1.8
Property Income	0.0	0.2	-0.2	0.0	0.5	-0.5	0.0	0.4	-0.4
Investment Income	2.9	22.9	-20.1	2.8	22.7	-19.9	3.9	25.6	-21.7
Non Factor Income	138.3	87.8	50.5	138.9	87.8	51.1	138.0	90.1	47.9
Shipment	0.0	28.6	-28.6	0.0	28.5	-28.5	0.0	27.6	-27.6
Other Transport	11.4	11.0	0.3	8.2	12.2	-4.0	8.3	12.3	-4.0
Travel	71.4	18.6	52.7	77.1	20.8	56.3	83.6	22.8	60.8
Other Goods & Services	55.5	29.5	26.0	53.6	26.3	27.3	46.1	27.4	18.8
Official N.I.E.	24.9	5.9	19.0	15.6	6.4	9.1	12.9	10.6	2.3
Private N.I.E.	30.6	23.6	7.0	38.0	19.9	18.1	33.3	16.8	16.5
Total Goods & Services And Income	296.3	348.0	-51.8	307.7	347.6	-39.9	313.9	346.0	-32.1
Transfers	34.4	5.2	29.3	43.1	5.2	38.0	34.3	4.7	29.6
Official	16.0	1.2	14.8	17.7	1.4	16.3	12.6	2.1	10.6
Private	18.4	3.9	14.5	25.4	3.7	21.7	21.6	2.6	19.0
Capital Account (Excluding Reserves)	56.6	54.7	1.9	57.1	70.5	-13.4	101.1	75.6	25.5
Long Term Capital	49.9	28.4	21.5	51.6	33.8	17.8	92.8	38.6	54.2
Official	26.1	19.1	7.0	19.1	23.2	-4.0	53.9	23.2	30.7
Private	23.9	9.3	14.5	32.5	10.7	21.8	38.9	15.4	23.5
Direct Investment	12.0	3.4	8.6	10.8	2.5	8.2	10.4	4.5	5.9
Other	11.9	5.9	6.0	21.8	8.2	13.6	28.5	10.9	17.7
Short Term Capital	6.6	26.2	-19.6	5.5	36.6	-31.2	8.4	37.1	-28.7
Commercial Banks change in foreign reserves	0.0	12.6	-12.6	0.0	13.8	-13.8	6.3	12.2	-5.9
Portfolio	6.1	0.0	6.1	3.5	0.0	3.5	2.1	4.2	-2.1
Other	0.5	13.7	-13.2	2.0	22.9	-20.9	0.0	20.6	-20.6
Errors & Omissions			16.4			18.6			-1.9
Change in Reserves	4.5	0.8	4.3	0.0	4.0	-3.3	0.0	23.9	-21.1

<sup>P</sup> - Provisional

N.I.E. - not included elsewhere



Table 36: Government of Belize - Revenue and Expenditure

\$'000

	Fiscal Year 93/94	Fiscal Year 94/95	Fiscal Year 95/96	Budget Fiscal Year 96/97	Calendar Year 1995	Calendar Year 1996
<b>TOTAL REVENUE &amp; GRANTS (1+2+3)</b>	264,994	280,688	270,282	305,873	276,199	305,404
1). Current revenue	249,940	263,045	259,226	268,338	259,869	276,568
Tax revenue	219,282	231,812	233,154	239,056	232,122	250,180
Income and profits	60,192	63,709	59,104	50,950	57,583	59,431
Taxes on property	1,218	1,660	1,172	1,510	1,386	1,491
Taxes on goods and services	29,442	29,154	28,571	94,146	28,097	83,725
Int'l trade and transactions	123,270	130,739	137,282	85,850	138,537	97,324
Other	5,160	6,549	7,025	6,600	6,519	8,209
Non-Tax Revenue	30,658	31,234	26,072	29,282	27,747	26,387
Property income	1,404	3,637	1,720	1,750	1,719	3,209
Contributions to pension fund	281	318	461	296	292	501
Transfers from NFPE's	1,421	1,732	1,963	2,100	1,745	1,776
Extra-budgetary revenue	2,012	2,398	1,922	2,390	1,946	2,214
Other	25,541	23,149	20,006	22,746	22,046	18,688
2). Capital revenue	8,101	4,377	9,977	8,830	8,543	20,353
3). Grants	6,953	13,265	1,079	28,705	7,786	8,483
(of which non-project grants are:)	0	0	0		0	5,000
<b>TOTAL EXPENDITURE (1+2)</b>	347,361	350,954	312,298	340,786	323,052	317,131
1). Current Expenditure	219,241	239,859	232,954	228,407	239,844	237,507
Wages and Salaries	120,534	131,858	126,989	122,171	130,387	122,571
Pensions	12,650	14,534	15,808	15,734	15,148	16,450
Goods and Services	45,039	46,094	42,071	38,388	44,302	43,998
Interest Payments on Public Debt	20,826	21,827	23,192	25,510	24,054	24,182
Subsidies & current transfers	20,192	25,547	24,894	26,604	25,952	30,307
2). Capital Expenditure	128,121	111,094	79,344	112,379	83,208	79,624
Capital II (local sources)	62,069	47,387	38,717	35,923	36,926	43,406
Capital III (foreign sources)	63,558	60,537	37,373	72,317	43,833	31,292
Capital Transfer	2,494	3,170	3,254	4,139	2,449	4,927
<b>CURRENT BALANCE</b>	30,699	23,186	26,272	39,931	20,025	39,061
<b>OVERALL BALANCE</b>	(82,367)	(70,266)	(42,016)	(34,913)	(46,853)	(11,727)
<b>FINANCING</b>	82,367	70,266	42,016	34,913	46,853	11,727
Domestic	47,711	39,070	28,780	2,634	33,116	(40,879)
Central Bank	27,521	14,452	8,482		13,013	(16,667)
Net Borrowing	22,114	5,688	8,375		14,099	29,977
Change in Deposits	5,407	8,764	107		(1,086)	(46,644)
Commercial Banks	20,028	24,746	20,081		19,693	(24,181)
Net Borrowing	(2,416)	(2,965)	19,822		972	(24,149)
Change in Deposits	22,444	27,711	259		18,721	(32)
Other Domestic Financing	162	(128)	217		410	(31)
External	39,782	19,484	4,922	32,279	3,662	46,613
Disbursements	56,605	47,272	36,294	67,112	36,047	80,009
(of which non-project disbursements)	0	0	0		0	52,200
Amortization	(15,120)	(27,905)	(32,754)	(35,833)	(32,415)	(32,529)
Sinking Fund & Joint Consolidated Fund	(1,703)	117	1,382	1,000	30	(867)
Other	(5,126)	11,712	8,314		10,075	5,993

Sources: Ministry of Finance  
Central Bank of Belize

P - Provisional



Table 37: Central Government's Domestic Debt

\$000

	Disbursed Outstanding Debt 1995	Transactions During 1996				Disbursed Outstanding Debt 1996 <sup>P</sup>
		Disbursement/ New Issue of Securities	Amortization/ Reduction in Securities	Interest	Net Change in Overdraft/ Securities	
Overdraft	47,231	0	0	5,255	+933	48,164
Central Bank	47,231	0	0	5,255	+933	48,164
Commercial Banks	0	0	0	0	0	0
Belize Social Security Board Loans	5,229	2,500	658	208	0	7071
Banana	300	0	300	10	0	0
Housing I	1,429	0	358	57	0	1,071
Housing II	3,500	0	0	141	0	3,500
Rural Electrification	0	2,500	0	0	0	2,500
Treasury Bills	70,000	0	0	2,845	0	70,000
Central Bank	10,426	0	0	389	+21,269	31,695
Commercial Banks	59,100	0	0	2,403	-21,300	37,800
Other	474	0	0	53	+31	505
Treasury Notes	15,000	5,000	0	1,575	0	20,000
Central Bank	9,776	5,000	0	1,105	+2,874	17,650
Commercial Banks	5,000	0	0	450	-3,000	2,000
Other	224	0	0	20	+126	350
Defence Bonds	15,000	0	0	1,250	0	15,000
Central Bank	10,000	0	0	800	0	10,000
Commercial Banks	100	0	0	9	0	100
BSSB	3,368	0	0	300	-33	3,335
Other	1,532	0	0	141	+33	1,565
Debentures	11,630	0	60	1,061	0	11,570
Central Bank	4,670	0	0	435	0	4,670
Commercial Banks	40	0	0	3	0	40
BSSB	3,980	0	0	372	0	3,980
Other	2,940	0	60	251	0	2,880
<b>TOTAL</b>	<b>164,090</b>	<b>7,500</b>	<b>718</b>	<b>12,194</b>	<b>+933</b>	<b>171,805</b>

<sup>P</sup> - Provisional





Dekette & Co.  
Auditors



# AUDITOR'S REPORT

1991-92  
1990-91

INDEPENDENT AUDITOR'S REPORT

IN RESPECT OF THE ACCOUNTS OF

CENTRAL BANK OF BELIZE

FOR THE YEARS ENDED 31.12.1991 AND 1992

INDEPENDENT AUDITOR'S REPORT  
I have examined the accounts of the Central Bank of Belize for the years ended 31.12.1991 and 1992, and the financial statements thereon, and in my opinion they are true and correct.

INDEPENDENT AUDITOR'S REPORT  
I have examined the accounts of the Central Bank of Belize for the years ended 31.12.1991 and 1992, and the financial statements thereon, and in my opinion they are true and correct.

INDEPENDENT AUDITOR'S REPORT  
I have examined the accounts of the Central Bank of Belize for the years ended 31.12.1991 and 1992, and the financial statements thereon, and in my opinion they are true and correct.

*Dekette & Co.*  
1991.12.1992



AUDITOR'S REPORT

CENTRAL BANK OF BELIZE  
INDEPENDENT AUDITORS' REPORT  
AND

FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 1996 AND 1995

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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, 1996 and 1995 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 at December 31, 1996 and 1995 and the results of its operations and cash flows for the years then ended in conformity with International Accounting Standards and the Central Bank of Belize Act.

*Deloitte & Touche*

April 29, 1997



CENTRAL BANK OF BELIZE

BALANCE SHEETS

<u>ASSETS</u>	<u>NOTES</u>	<u>December 31,</u>	
		<u>1996</u>	<u>1995</u>
APPROVED EXTERNAL ASSETS	4b		
Balances and deposits with foreign bankers and Crown Agents		\$ 5,897,269	\$ 6,090,728
Reserve Tranche and balances with the International Monetary Fund	5	10,078,147	10,043,628
Marketable securities issued or guaranteed by foreign governments and international financial institutions		3,975,000	4,501,685
Other foreign credit instruments		80,520,968	39,703,994
Accrued interest and cash intransit		301,404	622,476
Total approved external assets		<u>100,772,788</u>	<u>60,962,511</u>
BELIZE GOVERNMENT SECURITIES	6	63,827,909	34,784,212
BELIZE GOVERNMENT CURRENT ACCOUNT	7	43,691,315	44,044,819
LOANS TO THE PUBLIC SECTOR	8	6,388,642	7,187,831
BALANCES WITH LOCAL BANKERS AND CASH ON HAND		42,812	162,108
OTHER ASSETS	9	6,157,986	4,022,204*
PROPERTY AND EQUIPMENT	10	9,708,661	4,286,466*
TOTAL ASSETS		<u>\$230,590,113</u>	<u>\$155,450,151</u>

\*Reclassified for comparative purposes

See notes to financial statements.



CENTRAL BANK OF BELIZE

STATEMENTS OF OPERATIONS

INCOME	NOTES	For the years ended December 31,	
		1996	1995
Interest			
Approved external assets		\$ 3,692,798	\$ 2,437,388
Advances to Government		5,297,091	4,910,472
Local Securities		2,511,062	727,715
Loans to financial institutions		-	201,216
Loans to statutory boards		513,731	448,581
		<u>12,014,682</u>	<u>8,725,372</u>
Discount on local securities		380,649	979,069
Commissions and other income		1,766,875	2,107,594
Revaluation account	19	(272,858)	112,792*
Total income		<u>13,889,348</u>	<u>11,924,827</u>
LESS:			
Interest expense		(1,678,282)	(1,128,931)
Loss on sale of marketable security		(34,082)	(133,481)
Unrealized loss on marketable security	2c	(17,936)	-
Income from operations		<u>12,159,048</u>	<u>10,662,415</u>
EXPENDITURE			
Printing of notes and minting of coins	2f	(756,706)	(732,934)
Salaries and wages, including superannuation contributions and gratuities		(3,880,299)	(3,747,251)
Depreciation		(436,980)	(211,421)
Administrative and general		(1,999,069)	(1,875,152)
Total expenditure		<u>(7,073,054)</u>	<u>(6,566,758)</u>
NET PROFIT		5,085,994	4,095,657
Revaluation Account	19	272,858	(112,792)*
NET PROFIT TRANSFERABLE TO THE GENERAL RESERVE FUND AND CONSOLIDATED FUND		<u>5,358,852</u>	<u>3,982,865</u>
Transfer to General Reserve Fund in accordance with Section 9 (1) of the Act	18	(885,981)	(796,573)
Balance credited to the Accountant General for the Consolidated Revenue Fund		<u>\$ 4,472,871</u>	<u>\$ 3,186,292</u>

\*Restated for comparative purposes.

See notes to financial statements.



CENTRAL BANK OF BELIZE

STATEMENTS OF CASH FLOWS

	For the years ended December 31,	
	1996	1995
<b>OPERATING ACTIVITIES:</b>		
Net profit transferable to the general reserve fund and consolidated fund	\$ 5,358,852	\$ 3,982,865
Adjustments to reconcile net profit to net cash provided by (used in) operating activities - Depreciation	436,980	211,421
- Loss on disposal of fixed assets	-	1,006
- Loss on sale of marketable security	34,082	133,481
- Unrealized loss on marketable security	17,936	-
Changes in assets and liabilities that provided (used) cash:		
Loans to licensed financial institutions	-	3,000,000
Other assets	(2,135,782)	(608,420) *
Other liabilities	2,370,253	(132,294)
Revaluation Account	54,526	(77,954)
Net cash provided by operating activities	6,136,847	6,510,105
<b>INVESTING ACTIVITIES:</b>		
Belize Government current account	(11,993,367)	(26,718,867)
Receipts from loans to public sector	799,189	936,394
Acquisition of property and equipment Reserve Tranche in the International Monetary Fund	(5,859,175)	(1,312,423) *
Revaluation of Reserve Tranche in the International Monetary Fund	327,384	(200,746)
Proceeds from sale of marketable securities	(327,384)	200,746
Construction bonds	474,667	9,658,989
Construction bonds	23,968,000	-
Net cash provided by (used in) investing activities	7,389,314	(17,435,907)
<b>FINANCING ACTIVITIES:</b>		
Notes and coins in circulation	4,970,262	5,043,073
Deposit by licensed financial institutions	(1,374,689)	10,814,581
Deposits by and balances due to Government and Public Sector entities	47,004,639	1,893,711
Deposits by international agencies	(1,477,622)	(262,765)
Balances due to Caricom Central Bank	16,380	(277,568)
Commercial Bank Discount Fund	(927,423)	(71,393)
Belize Credit Facility	1,227,039	138,455
Loans payable to foreign institutions	(1,250,000)	(1,250,000)
Net cash provided by financing activities	48,188,586	16,028,094

\*Reclassified for comparative purposes.

See notes to financial statements.



CENTRAL BANK OF BELIZE

STATEMENTS OF CASH FLOWS (Continued)

	For the years ended	
	December 31,	
	1996	1995
NET INCREASE IN CASH AND CASH EQUIVALENTS	61,714,747	5,102,292
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	58,314,876	53,212,584
CASH AND CASH EQUIVALENTS, END OF YEAR	\$120,029,623	\$58,314,876
CASH AND CASH EQUIVALENTS COMPRISE THE FOLLOWING:		
EXTERNAL ASSETS:		
Balances and deposits with foreign bankers and Crown Agents	\$ 5,897,269	\$ 6,090,728
Other foreign credit instruments	80,520,968	39,703,994
Accrued interest and cash intransit	301,404	622,476
Balance with the International Monetary Fund	1,759,261	1,397,358
	88,478,902	47,814,556
LOCAL ASSETS:		
Cash and bank balances	42,812	162,108
Government of Belize Treasury Bills	31,507,909	10,338,212
	\$120,029,623	\$58,314,876

See notes to financial statements.



CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1996 AND 1995

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:

Building and improvements	5%
Office furniture	20%
Equipment	20%
Vehicles	25%

Improvements to the Treasury Building are amortized over the remaining period of intended use. (See note 10).

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.



CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1996 AND 1995

1. ORGANIZATION

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## 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. However no profits shall be credited to the General Reserve Fund or paid to the Government under section 9 (See Note 18) 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.

### 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 AND BOND ISSUE COSTS OF CENTRAL BANK BUILDING CONSTRUCTION BONDS

Interest is payable semi-annually on the Bank's Construction Bonds. The portion of the interest on the amount spent on the building project during construction is capitalized net of income generated from the investment of proceeds of the construction bonds. In 1996 interest of \$755,027 net of investment income of \$799,839 (1995-\$0) was capitalized. Otherwise interest is charged against the annual income of the Bank. Bond issue cost of \$359,996 was also capitalized on the project (1995 - \$0). (See note 16).



## 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. However no profits shall be credited to the General Reserve Fund or paid to the Government under section 9 (See Note 18) 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.

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4. **CENTRAL BANK OF BELIZE ACT SECTION 25**

- a. The Bank shall at all times hold assets of an amount in value sufficient to cover fully the value of the total amount of its notes and coins for the time being in circulation.
- b. The Bank shall maintain at all times a reserve of external assets of not less than 40 percent of the aggregate amount of notes and coins in circulation and of the Bank's liabilities to customers in respect of its sight and time deposits. At December 31, 1996 total approved external assets approximated 59 percent (1995 - 50 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, 1996 and 1995, 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\$2.88 to SDR 1.0 at December 31, 1996 (1995 BZ\$2.97 to SDR 1.0).

6. **BELIZE GOVERNMENT SECURITIES**

Belize Government securities consist of:

	<u>1996</u>	<u>1995</u>
Treasury bills	\$31,507,909	\$10,338,212
Debentures, 8.5% - 10%	4,670,000	4,670,000
Treasury notes, 9%	17,650,000	9,776,000
Belize Defence Bonds, 8%	10,000,000	10,000,000
	<u>\$63,827,909</u>	<u>\$34,784,212</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, 1996 the Bank's aggregate holding of Belize Government Securities approximated 3.16 times (1995 - 1.80 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, 1996 advances to Government represent approximately 84 percent (1995 - 88 percent) of the authorized limit.

8. LOANS TO THE PUBLIC SECTOR

Loans to the public sector comprise the following loans to Reconstruction and Development Corporation to finance housing construction. (See note 15).

	<u>1996</u>	<u>1995</u>
5% p.a. loan due in 16 consecutive semi-annual payments commencing July 10, 1993	\$ 321,218	\$ 377,484
5.5% p.a. loan due in 16 consecutive semi-annual payments commencing July 10, 1993.	1,492,932	1,905,075
6% p.a. loan due in 16 consecutive semi-annual payments commencing December 22, 1992	4,574,492	4,905,272
	<u>\$6,388,642</u>	<u>\$7,187,831</u>

These loans are guaranteed by the Government of Belize.

9. OTHER ASSETS

At December 31 other assets are made up as follows:

	<u>1996</u>	<u>1995</u>
Prepaid printing and minting of notes and coins (See note 2 f)	\$1,225,855	\$1,238,542
Prepayments and accrued interest	1,036,262	570,468
Receivables	1,992,217	2,133,499
Mobilization advance	1,867,292	-
Other	36,360	79,695
	<u>\$6,157,986</u>	<u>\$4,022,204</u>

Deferred charge-CBB Building reclassified to Property and Equipment for comparative purposes



10. PROPERTY AND EQUIPMENT

	Land	Building - construction in progress	Properties and improvements	Improvement to Treasury building	Furniture	Equipment	Vehicles	Total
<b>Cost</b>								
Brought forward at 1/1/96	\$2,040,400	\$1,182,677	\$711,321	\$320,637	\$181,956	\$2,587,250	\$263,165	\$ 7,287,406
Additions	-	5,765,994	4,001	16,275	20,840	52,065	-	5,859,175
<b>Carried forward at 12/31/96</b>	<u>2,040,400</u>	<u>6,948,671</u>	<u>715,322</u>	<u>336,912</u>	<u>202,796</u>	<u>2,639,315</u>	<u>263,165</u>	<u>13,146,581</u>
<b>Accumulated Depreciation</b>								
Brought forward at 1/1/96	-	-	274,882	111,196	115,406	2,315,843	183,613	3,000,940
Additions	-	-	66,041	103,514	63,644	175,277	28,504	436,980
<b>Carried forward at 12/31/96</b>	<u>-</u>	<u>-</u>	<u>340,923</u>	<u>214,710</u>	<u>179,050</u>	<u>2,491,120</u>	<u>212,117</u>	<u>3,437,920</u>
<b>Net Book Value</b>								
December 31, 1996	<u>\$2,040,400</u>	<u>\$6,948,671</u>	<u>\$374,399</u>	<u>\$122,202</u>	<u>\$ 23,746</u>	<u>\$ 148,195</u>	<u>\$ 51,048</u>	<u>\$ 9,708,661</u>
December 31, 1995	<u>\$2,040,400</u>	<u>\$1,182,677</u>	<u>\$436,439</u>	<u>\$209,441</u>	<u>\$ 66,550</u>	<u>\$ 271,407</u>	<u>\$ 79,551</u>	<u>\$ 4,286,466</u>

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

11. DEPOSITS BY LICENSED FINANCIAL INSTITUTIONS

Licensed financial institutions under the provisions of Section 16 of the Banks and Financial Institutions Act 1995 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.

12. DEPOSITS BY INTERNATIONAL AGENCIES

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

	<u>1996</u>	<u>1995</u>
Commission of the European Communities	\$ 208,894	\$1,999,218
International Monetary Fund	100,581	109,111
Caribbean Development Bank	71,422	67,993
International Bank for Reconstruction and Development	<u>2,981,818</u>	<u>2,664,015</u>
	<u>\$3,362,715</u>	<u>\$4,840,337</u>

13. 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 enabled commercial banks in Belize to discount with the Bank up to 100% of loans made to sub-borrowers for projects approved by



13. COMMERCIAL BANK DISCOUNT FUND (CONTINUED)

the Bank and USAID. In 1993 USAID and the Bank with mutual consent agreed that BZ\$2 million and BZ\$1.5 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) and Development Finance Corporation (DFC), respectively.

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, 1996, outstanding loans discounted by commercial banks through the facility amounted to BZ\$1.3 million (1995 - BZ\$1.5 million) net of repayments, against a total drawdown of BZ\$5.7 million (1995 - BZ\$5.7 million) from USAID. On that date the amount drawn down by the Foundation was BZ\$1.8 million (1995 - BZ\$2 million) net of repayments and the amount drawn down by DFC was BZ\$1.1 million (1995 - BZ\$0) net of repayments.

14. 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 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.

15. LOANS PAYABLE TO FOREIGN INSTITUTIONS

Loans payable to foreign institutions consist of:

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>1996</u>	<u>1995</u>
	<u>\$4,375,000</u>	<u>\$5,625,000</u>



16. CONSTRUCTION BONDS

	<u>1996</u>	<u>1995</u>
BZ\$5,000,000 construction bonds maturing on September 30, 1997 secured by a guarantee from the Belize Government. Interest accrues at 9% per annum and is payable semi-annually.	\$ 4,968,000	\$5,000,000
Bz\$24,000,000 construction bonds maturing on July 31, 2003 secured by a guarantee from the Belize Government. Interest accrues at 11.75% per annum and is payable semi-annually.	24,000,000	-
	<u>\$28,968,000</u>	<u>\$5,000,000</u>

17. OTHER LIABILITIES

Interest payable (including construction bonds)	1,504,328	119,532
Pension contribution	273,475	165,978
Abandoned property	322,369	-
Retention payable	254,804	-
Progress billings	294,962	-
Other	127,431	121,606
	<u>2,777,369</u>	<u>407,116</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>1996</u>	<u>1995</u>
Balance at beginning of year	\$ 9,299,809	\$8,503,236
Transfer from profits at 20%	700,191	796,573
Transfer from profits at 10%	185,790	-
Balance at end of year	<u>\$10,185,790</u>	<u>\$9,299,809</u>



## 19. REVALUATION ACCOUNT

Under Section 49 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>1996</u>	<u>1995</u>
Balance at beginning of year	\$ 690,705	\$567,913
Net (loss) gain on revaluation of Reserve Tranche in the International Monetary Fund	(327,384)	200,746
Net gain (loss) on revaluation during the year	54,526	(77,954)
Balance at end of year	<u>\$ 417,847</u>	<u>\$690,705</u>
See note 2c. iii		

## 20. PENSION SCHEME

The Pension Scheme, a defined benefit plan, receives contributions from the Bank and its eligible employees. During the year under review the Bank contributed Bz\$299,657 to the Scheme. The Scheme is financially separate from the Bank and is managed by a Board of Trustees. The cost of plan benefits is determined using an accrued benefit valuation method.

Significant actuarial assumptions used in the valuation were:

- i. Over the long term new and existing assets of the scheme will secure a rate of return on investments of 7% p.a. net of all investment expenses.
- ii. Members' pensionable salaries will increase by 5% p.a. as a result of general inflationary conditions in addition to modest increases in recognition of increasing experience and responsibility.
- iii. No allowance for pensions in course of payment to be increased.
- iv. No retroactive salary increase was contemplated at January 1, 1996

The last actuarial valuation was as at December 31, 1995. That valuation reported the present value of the promised retirement benefits and the cost of the plan's assets as at December 31, 1995 to be approximately BZ\$1,614,000 and BZ\$1,692,000, respectively. A retroactive salary increase was effected as at January 1, 1996. The fair market value of plan assets is not readily available. An actuarial valuation is conducted every two to three years.



1. 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, 1996, the principal outstanding under the facility was US\$0 (1995 - US\$727,188). 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, 1996 and 1995 the amount pledged amounted to US\$0 (1995 - US\$1,500,000). The Bank is fully indemnified by the borrower against any losses.

The Central Bank of Belize has signed a formal contract with Kier International Limited for the construction of a new Central Bank building at an estimated cost of BZ\$21,901,697. The building is due to be completed by June of 1998.

The contractor of the new Central Bank building has given notice of a claim for additional costs and extension of time due to unforeseen concealed ground conditions. Based on the opinion of the Bank's consultants, management is of the view that the settlement, if any will not exceed the contingency provision in the contract price. A quantification of such a settlement cannot be made at this time.

Outstanding letters of credit not reflected in the accompanying financial statements amount to BZ\$3,863,803 at December 31, 1996 (1995 - BZ\$1,970,525).



# CENTRAL BANK OF BELIZE

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Fifteenth Annual Report and Accounts 1996

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