# CENTRAL BANK OF BELIZE

## Twentieth Annual Report and Accounts

2001

# Central Bank of Belize

## Twentieth Annual Report and Accounts, 2001

# Abbreviations and Conventions used in this Report

## Abbreviations:

| | |
|---|---|
| ACP | African, Caribbean and Pacific |
| APR | Annual Percentage Rate |
| BEL | Belize Electricity Limited |
| BFIA | Banks and Financial Institutions Acts, 1995 |
| BGA | Banana Growers Association |
| BIS | Bank for International Settlements |
| BSI | Belize Sugar Industries Limited |
| BSSB | Belize Social Security Board |
| BTB | Belize Tourism Board |
| BTL | Belize Telecommunications Ltd. |
| BWSL | Belize Water Services Limited |
| CARICOM | Caribbean Community and Common Market |
| CABEI | Central American Bank for Economic Integration |
| CCMS | Caribbean Centre for Monetary Studies |
| CDB | Caribbean Development Bank |
| CET | Common External Tariff |
| CFATF | Caribbean Financial Action Task Force |
| CFZ | Commercial Free Zone |
| CGA | Citrus Growers Association |
| CIF | Cost Insurance and Freight |
| CPI | Consumer Price Index |
| CSO | Central Statistical Office |
| DFC | Development Finance Corporation |
| ECCB | Eastern Caribbean Central Bank |
| ECLAC | Economic Commission for Latin America and the Caribbean |
| ECU | European Currency Unit |
| EDF | European Development Fund |
| EIB | European Investment Bank |
| EU/EEC | European Union |
| FY | Fiscal Year |
| GDP | Gross Domestic Product |
| GOB | Government of Belize |
| IBC | International Business Company |
| IBM | International Bank of Miami |
| IBRD | International Bank for Reconstruction and Development |
| IDB | Inter-American Development Bank |
| IFS | International Financial Statistics |
| IMF | International Monetary Fund |
| NFC | Not from concentrate |
| OECD | Organisation for Economic Cooperation and Development |
| OECS | Organisation of Eastern Caribbean States |
| PAYE | Pay As You Earn |
| PGIA | Phillip Goldson International Airport |
| ps | Pound solid |
| RECONDEV | Reconstruction and Development Corporation |
| RMB | Royal Merchant Bank |
| ROC | Republic of China, Taiwan |
| SIF | Social Investment Fund |
| UK | United Kingdom |
| US/USA | United States |
| WTO | World Trade Organisation |
| WASA | Water and Sewerage Authority |

## Notes and Conventions:

--$ refers to the Belize dollar unless otherwise stated
--mn denotes million
--bn denotes billion
--The figures for 2001 in this report are provisional, and the figures for 2000 have been revised.
--Since May of 1976 the Belize dollar has been tied to the US dollar at the rate of US$1.00 = Bz$2.00.
--Totals in tables do not always equal the sum of their components due to rounding.

April 29, 2002

Hon. Said Musa
Prime Minister and Minister of Finance
and Economic Development
Office of the Prime Minister
Belmopan
BELIZE

Dear Prime Minister:

In accordance with Section 58 of the Central Bank of Belize Act,1982, I have the honour of submitting 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, 2001, together with a copy of the Bank's Statement of Accounts, as certified by the External Auditors.

I am
Yours faithfully,

Jorge M. Auil
Governor

# DIRECTORS AND PRINCIPALS

At December 31, 2001

**BOARD OF DIRECTORS**

KEITH ARNOLD
Chairman

YVETTE ALVAREZ
Vice Chairman

JAIME BRICEÑO

DEREK COURTENAY

FRANCIS FONSECA

ROBERT SWIFT

JOSEPH WAIGHT
Financial Secretary

**PRINCIPAL OFFICERS**

KEITH ARNOLD
Governor

YVETTE ALVAREZ
Deputy Governor - Operations

SYDNEY CAMPBELL
Deputy Governor - Research

CECILE REYES
Manager, Administration Department / Bank Secretary

DWAIN DAVIS
Manager, Finance Department

CAROL HYDE
Manager, Human Resource Department

MARILYN GARDINER
Manager, Banking and Currency Department

KENT HAYLOCK
Chief of Security

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# OVERVIEW OF THE BANK

## Mission, Goals and Objectives

The Central Bank of Belize's objectives are stated in the Central Bank of Belize Act, 1982.

> "Within the context of the economic policy of the Government the Bank shall be guided in all its actions by the objectives of fostering monetary stability especially as regards stability of the exchange rate and promoting credit conditions conducive to the growth of the economy of Belize."

In light of these objectives, the Bank has the following Mission:

> "***to foster the development of an economic and financial environment in Belize that will facilitate economic growth.***"

In the pursuit of its mission, the Bank sets a number of goals and operating objectives. These are listed below. Emphasis is added in the first section to indicate the respective **client(s)** to which each of the Bank's goals is geared.

### *Goals*

√ Provide prompt and well-considered macroeconomic advice to the **Government**, the **business sector** and the **general public**.
√ Provide efficient banking services to the **commercial banks**, the **government** and various **public sector bodies** and **regional and international organisations** that hold accounts at the Bank.
√ Provide guidelines to the **banking community** on matters such as money supply, interest rates, credit and exchange rates.
√ Set high standards of efficiency and organisation so as to encourage higher levels of attainment in the Bank.

### *Objectives*

√ Promote monetary stability.
√ Regulate the issue and availability of money and its international exchange.
√ Regulate and monitor the financial environment.
√ Foster credit and exchange conditions.
√ Foster the development of money and capital markets in Belize.

## Organization And Functions

The Bank's mission and objectives are pursued through its various departments, with core functions as follows:

### Office of the Governor

- Managing the operations of the Bank.
- Co-ordinating the various functions of the Bank's Departments.
- Formulating, developing and reviewing the Bank's policy prescriptions.
- Maintaining security operations within the Bank.
- Streamlining and monitoring systems and procedures to ensure appropriate internal controls.
- Ensuring that all communications necessary for the deliberations of the directors are prepared and submitted.
- Supervising authority for anti money-laundering surveillance.

### Administration

- As secretariat to the Board, ensuring that the decisions and relevant directives of the Board are communicated to all parties concerned.
- Procuring supplies, and conducting stock keeping and inventory exercises.
- Managing the Bank's records management system.
- Disseminating information produced by the Bank, particularly economic reports and bulletins, research papers, relevant acts and regulations and related guidelines.
- Maintaining the Bank's library of information.
- Managing the Bank's numismatic operations.

### Human Resources

- Advising on personnel policy matters.
- Promoting the conditions necessary for staff development and training.
- Providing employee assistance.
- Administering staff compensation and benefits.
- Recruiting and selecting suitable staff.
- Fostering healthy industrial relations between the Bank and its employees' union.

## Finance

- Preparing the Bank's budget and monitoring and controlling the Bank's financial activities.
- Performing fiscal agent functions on behalf of the Central Government and other public sector entities for the trading of securities.

## Banking and Currency

- Issuing notes and coins.
- Providing banking services to Central Government, other public sector entities and financial institutions.
- Management of the Central Bank's foreign reserve holdings.
- Conducting clearing-house operations for the domestic banking system.

## Financial Sector Supervision

- Screening and processing applications for domestic and offshore bank licenses.
- Conducting on-site examination and off-site surveillance of commercial banks and offshore banks.
- Processing of applications for large credit exposures under section 21(2) of the Banks and Financial Institutions Act.
- Promoting and conducting anti money-laundering surveillance.

## Research

- Monitoring economic activities in Belize on a continuing basis.
- Conducting focused economic research on the Belizean economy and aspects pertaining to its development.
- Preparing monthly, quarterly and annual economic reports.
- Processing and monitoring foreign exchange transactions of the financial system.
- Producing appropriate statistics.

## Office of Deputy Governor (Operations)

- Monitoring and maintaining the Bank's information technologies.
- Oversight of Internal Audit programme.
- Maintaining the Bank's plant and equipment.

## Table I.1: Major Economic Indicators

| | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 |
|---|---|---|---|---|---|---|
| POPULATION AND EMPLOYMENT | | | | | | |
| Population (Thousands) | 222.0 | 230.0 | 238.0 | 243.0 | 249.8 | 256.8 |
| Employed Labour Force (Thousands) | 65.0 | 70.7 | 73.3 | 77.8 | 83.7 | 86.8 |
| Unemployment Rate (%) | 13.8 | 12.7 | 14.3 | 12.8 | 11.1 | 9.3 |
| INCOME | | | | | | |
| GDP at Current Market Prices ($mn) | 1,211.4 | 1,234.5 | 1,259.2 | 1,376.0 | 1,546.0 | 1,609.9 |
| Per Capita GDP ($, Current Mkt. Prices) | 5,457 | 5,370 | 5,291 | 5,663 | 6,189 | 6,269 |
| Real GDP Growth (%) | 1.5 | 4.2 | 1.8 | 6.5 | 10.8 | 4.6 |
| Sectoral Distribution of Constant 1984 GDP (%) | | | | | | |
| Primary Activities | 21.0 | 22.7 | 21.9 | 23.1 | 21.9 | 23.4 |
| Secondary Activities | 25.0 | 24.2 | 23.6 | 23.1 | 24.5 | 24.3 |
| Services | 54.0 | 53.1 | 54.5 | 53.8 | 53.7 | 52.3 |
| MONEY AND PRICES ($mn) | | | | | | |
| Inflation (Annual average percentage change) | 6.4 | 1.0 | (0.8) | (1.2) | 0.6 | 1.1 |
| Currency and Demand deposits (M1) | 177.6 | 186.0 | 206.1 | 255.1 | 310.2 | 364.8 |
| Quasi-Money (Savings and Time deposits) | 467.8 | 524.1 | 561.3 | 585.1 | 655.7 | 676.0 |
| Money Supply (M2) | 645.4 | 710.1 | 767.4 | 840.2 | 965.9 | 1,040.8 |
| Ratio of M2 to GDP (%) | 53.3 | 57.5 | 60.9 | 61.1 | 62.5 | 64.6 |
| CREDIT ($mn) | | | | | | |
| Commercial Bank Loans and Advances | 480.9 | 547.3 | 625.6 | 654.5 | 695.4 | 788.5 |
| Public Sector | 2.9 | 5.2 | 18.9 | 8.4 | 11.1 | 12.9 |
| Private Sector | 478.0 | 542.1 | 606.8 | 646.1 | 684.3 | 775.6 |
| INTEREST RATE (%) | | | | | | |
| Weighted Average Lending Rate (WALR) | 16.2 | 16.6 | 16.3 | 16.3 | 15.8 | 15.4 |
| Effective 3-year APR | 27.8 | 28.5 | 28.0 | 28.0 | 27.1 | 26.4 |
| Weighted Average Deposit Rate | 6.2 | 6.7 | 6.0 | 5.7 | 5.0 | 4.3 |
| CENTRAL GOVERNMENT FINANCES ($mn) | | | | | | |
| Current Revenue | 276.6 | 282.9 | 294.5 | 327.1 | 349.8 | 364.3 |
| Current Expenditure | 234.7 | 252.2 | 260.0 | 278.8 | 308.4 | 333.5 |
| Current Account Surplus(+)/Deficit(-) | 41.9 | 30.7 | 34.5 | 48.3 | 41.4 | 30.8 |
| Capital Expenditure | 75.3 | 81.8 | 93.6 | 165.3 | 247.5 | 247.7 |
| Overall Surplus(+)/Deficit(-) | (4.6) | (25.3) | (28.6) | (29.1) | (139.9) | (130.3) |
| Ratio of Budget Deficit to GDP at mkt. Prices (%) | (0.4) | (2.0) | (2.3) | (2.1) | (9.0) | (8.1) |
| Domestic Financing (Net) | (40.9) | 19.5 | 27.6 | (8.6) | (74.0) | 58.5 |
| External Financing (Net) | 46.6 | 5.8 | 14.2 | 38.5 | 213.5 | 72.1 |
| BALANCE OF PAYMENTS (US $mn) | | | | | | |
| Merchandise Exports (f.o.b.)+ | 171.3 | 200.0 | 194.4 | 263.6 | 288.4 | 269.1 |
| Merchandise Imports (f.o.b.)++ | 229.5 | 280.8 | 294.1 | 366.1 | 461.6 | 460.6 |
| Trade Balance | (58.3) | (80.9) | (99.7) | (102.5) | (173.2) | (191.5) |
| Remittances (Inflows) | 24.4 | 27.8 | 31.2 | 32.2 | 51.6 | 41.2 |
| Tourism (inflows) | 97.5 | 101.5 | 105.4 | 105.6 | 117.8 | 119.8 |
| Services (Net) | 53.1 | 52.1 | 49.5 | 32.9 | 17.4 | 38.5 |
| Current Account Balance | 2.3 | (16.6) | (40.9) | (73.1) | (151.6) | (169.5) |
| Capital and Financial Flows | 4.9 | 23.2 | 17.1 | 99.1 | 205.8 | 144.6 |
| Gross Change in Official International Reserves * | (20.9) | (1.0) | 15.4 | (27.2) | (51.6) | 10.5 |
| Gross Official International Reserves | 58.3 | 59.3 | 43.9 | 71.1 | 122.8 | 112.3 |
| Import Cover of Reserves (in months) | 2.7 | 2.5 | 1.6 | 2.3 | 3.3 | 3.0 |
| PUBLIC SECTOR DEBT | | | | | | |
| Disbursed Outstanding External Debt (US $mn) | 219.8 | 240.7 | 260.7 | 252.5 | 423.7 | 475.0 |
| Ratio of Outstanding Debt to GDP at Mkt. Prices (%) | 36.3 | 39.0 | 41.4 | 36.7 | 54.8 | 59.0 |
| External Debt Service Payments (US $mn) | 29.7 | 30.7 | 33.2 | 33.7 | 43.1 | 65.2 |
| External Debt Service Ratio (%) | 9.6 | 9.0 | 9.8 | 8.1 | 9.6 | 14.7 |
| Disbursed Outstanding Domestic Debt ($ mn) | 171.9 | 171.9 | 180.0 | 171.5 | 176.0 | 211.3 |
| Domestic Debt Service Payments ($ mn) | 12.9 | 18.4 | 15.7 | 12.2 | 22.6 | 17.7 |

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

*Minus = increase
n.a – not available

+ = 1999 to 2001 includes CFZ gross sales
++ = 1999 to 2001 includes CFZ direct imports

Destruction caused by Hurricane Iris on Placencia Peninsula

Police Station in Seine Bight Village showcasing "All Clear" after Hurricane Iris.


Participants at the XXXIII Annual Monetary Studies Conference of the CCMS.

Banana plantations making a comeback.

Award Presentations for Records Management Week.

Harvesting papayas

BSI Factory at Tower Hill, Orange Walk District.

Sugarcane trucks making deliveries at the BSI factory.

A soya bean field in Northern Belize

Harvesting soya beans

Sculpture at Citrus Growers Association, Stann Creek Valley

# ECONOMIC REVIEW

## Overview

A slowing world economy coupled with two natural disasters in rapid succession caused growth in the Belizean economy to slacken in 2001. Real GDP increased by 4.6% as compared to the 10.8% expansion in 2000. Contrasting with the previous year, the main engine of growth was the primary sector, which experienced a tripling of output as increased production in fishing and forestry more than compensated for mediocre performance by agriculture. On the other hand, activity in the secondary sector decelerated with lower growth in manufacturing and utilities largely offsetting a 9.0% increase in construction activity. Activity in the tertiary sector also slowed to a comparative crawl as a contraction in international trade dampened growth in other related services. On the up side, tourism registered a small expansion with robust growth in the first three quarters being only partly offset by the fall-off in tourist arrivals after the events of September 11.

Expansion in primary sector activities as well as in tourism helped to push the unemployment rate further downward to 9.3%, a 1.8% improvement over the previous year's out-turn. These developments coincided with a rise in the labour force participation rate to 60.5%. On the other hand, consumer prices experienced a degree of upward pressure after two consecutive years of decline. The CPI rose by 1.1% influenced by higher fuel costs at the pump that outweighed the effects of lower import duties and declines in the US export price index. The largest increases were shown in 'Medical Care' and in services that were dependent on fuel inputs such as 'Transport & Communication' and 'Rent, Water, Fuel & Power'.

Monetary developments were dominated by a 21.8% growth in net domestic credit that pushed broad money (M2) up by 7.8% to the $1.0bn threshold during the year. A notable feature of the expansion was the continued accelerated rise in M1 as compared to the slowing in growth of quasi-money. M1 was particularly affected by the upward surge in demand deposit holdings of business enterprises, a trend that has become rather marked over the past three years. The more moderate rise in quasi-money featured a 17.6% increase in savings deposits whereas time deposits registered a 2.6% decline, the first such since 1984.

Higher payments abroad to satisfy the demand for imported goods and services and cover debt service obligations coincided with reduced inflows from exports and other transactions. The net foreign assets of the banking system consequently declined by $47.2mn including reductions in Central Bank and commercial bank net foreign holdings of $22.2mn and $25.0mn, respectively.

Growth in net domestic credit involved increases in Central Bank financing for the Government as well as an upswing in commercial bank loans to the private sector that covered a broad cross section of activity. Notable among these was the $24.4mn in funds provided for construction followed closely by the tourism sub-sector, which attracted increased loans of some $18.2mn in an apparent reversal of a two-year declining trend. Lending by the Development Finance Corporation (DFC) was also a significant factor pushing up the overall level of financing provided for the construction and transport sub-sectors in particular.

Substantial growth in loans notwithstanding, the commercial banks continued to experience excessive liquidity conditions with both primary and secondary liquidity holding at levels that far exceeded historical averages. Given the large build-up that had already occurred, a $10.0mn decline in secondary liquidity over the year had only a marginal effect on the system. Primary liquidity also experienced further expansion buoyed by the continued build-up in demand deposits. At year-end, total excess statutory liquidity stood at $121.7mn and excess cash reserves was at an historic high of $51.5mn.

High levels of statutory liquidity served to maintain downward pressure on interest rates, especially those on deposits. Weighted average lending and deposit rates calculated on total existing portfolios declined by 40 basis points and 70 basis points, respectively, which increased the interest rate spread accruing to the banks by an additional 30 basis points to 11.1%. Of note was the significant fluctuation in monthly weighted average lending rates for new loans issued by the commercial banks. After bottoming at the end of the first quarter, these rates began to exhibit a clear upward trend in the following months.

As in the previous calendar year, the public sector continued efforts to boost economic growth through increased outlays plus additional expenditures in the fourth quarter to cover reconstruction costs arising from Hurricane Iris. Central Government's fiscal operations generated a current account surplus of $30.8mn (1.9% of GDP) and an overall deficit of $130.3mn (8.1% of GDP). Current revenue and expenditure rose by 4.1% and 8.1%, respectively. Privatization of WASA and implementation of an indexed environmental levy pushed capital revenue up by 50% to $73.8mn. Meanwhile, capital expenditures remained steady at approximately $247.6mn, which was used to finance a multiplicity of projects. Net increases in funding from domestic and external sources to cover the financing gap amounted to $58.5mn and $72.1mn, respectively.

Central Government's domestic debt rose by $35.3mn to $211.3mn over the period reviewed, reflecting the combination of a $17.2mn "debt for nature swap" with the US Government plus a $19.5mn net increase in overdraft financing that outweighed amortization payments of $1.4mn. Over the same period, the public sector's disbursed outstanding external debt grew by $102.6mn to $950.0mn (59.0% of GDP). Disbursements totalled $219.9mn, which was partly offset by amortization payments of $70.3mn, negative valuation adjustments of $1.3mn and the $17.2mn external debt reduction arising from the "debt for nature swap".

With storms, disease, falling prices and shrinking market share causing a drop in export earnings in 2001, higher levels of domestic expenditure resulted in a widening of the visible trade and current account deficits as recorded in the external balance of payments. While both imports and exports were lower, the sharper decline was in the latter. At year-end, the trade deficit stood at $382.9mn (23.8% of GDP) and the current account deficit at $339.0mn (21.1% of GDP). The latter was financed by financial flows from foreign direct investment, loans, a repurchase agreement for lands and housing and the draw down of international reserves.

Present economic prospects for 2002 are that real GDP should grow by approximately 6.0% based largely on continued strength in services and recovery in the productive sector although the performance of the latter is likely to be somewhat mixed. While deliveries of sugarcane, papaya, banana and marine products are all expected to rise, citrus should experience a steep decline given the severity of the damages inflicted by Hurricane Iris. Output in the secondary sector will also be mixed with increased production of sugar but lower output of citrus juice products. The most substantial contribution to growth is expected to come from the services sector , which is scheduled to benefit from several significant investments during the year. Projections are for a 6% to 8% rise in stay-over tourist arrivals and a fivefold surge in cruise ship passenger visits. Meanwhile, even with higher prices for fuel and telecommunications services, inflationary pressure should remain relatively low.

# International and Regional Developments

World economic activity slowed significantly in 2001 with total output increasing by 2.4% as compared to the 4.7% expansion in 2000. Growth had already begun to slow in the last quarter of 2000 and an already difficult situation was further exacerbated by a slowing of trade, falling commodity prices, deteriorating financing conditions in emerging markets (particularly in Latin America) and the terrorist attacks of September 11. Other economic shocks included the bursting of the information technology bubble and a jump in oil prices during the first part of the year. Consumer and business confidence showed general signs of weakening around the globe and labour markets softened considerably. Globally, macroeconomic policies were substantially eased to mitigate and reverse the effects of the slow-down while net movements in major exchange rates remained moderate with the US dollar appreciating modestly against the Euro and the Yen.

## *Developments in Select OECD and Newly Industrialized Countries*

In the midst of a mild recession that commenced in March 2001, the **US** economy suffered a major blow as a result of the September 11attacks. GDP growth consequently fell sharply from 4.1% in 2000 to 1.0% in 2001. Consumer spending and business confidence weakened with industrial production declining by 5.8% over the year, the worst contraction since 1982. The travel, entertainment and insurance sectors all faced severe financial difficulties after September 11 with over one million Americans losing their jobs after the attacks. The effects of this worsened the unemployment rate, which ended the year at 5.8%. In a continuing attempt to stimulate the economy the Federal Reserve cut short-term interest rates eleven times during the year to 1.75%, the lowest nominal value in forty years. Fiscal policy

**Table II.1: Selected Indicators for Some OECD and Newly Industrialized Countries**

| Country | GDP Growth Rate (%) | | Industrial Production (%) | | Inflation Rate (%) | | Unemployment Rate (%) | |
|---|---|---|---|---|---|---|---|---|
| | 2000 | 2001 | 2000 | 2001 | 2000 | 2001 | 2000 | 2001 |
| Taiwan | 6.0 | (2.2) | (2.1) | (7.5) | 1.3 | (0.1) | 3.0 | 5.1 |
| United States | 4.1 | 1.0 | 3.1 | (5.8) | 3.4 | 2.9 | 4.0 | 5.8 |
| United Kingdom | 2.9 | 2.3 | 1.9 | (4.6) | 2.1 | 2.3 | 5.6 | 5.2 |
| Canada | 4.4 | 1.4 | 3.2 | (6.0) | 2.7 | 2.8 | 6.8 | 8.0 |
| Japan | 2.2 | 1.0 | 5.3 | (14.9) | (0.8) | (0.7) | 4.7 | 5.6 |

Sources: The Economist, IMF World Economic Outlook, Taiwan Institute of Economic Research was also eased significantly via tax cuts in June and emergency relief expenditures after the attacks estimated at US$63.0 billion.

September 11 and the adverse shocks that followed exacerbated an already troubling situation in **Japan.** Mired in a deflationary spiral (consumer prices have been falling since 1999), household and business confidence continued to weaken in 2001 with industrial production declining by 14.9% and unemployment rising to 5.6%, the highest since World War II. Loose monetary policy resulted in interest rates that were close to zero. Meanwhile, a substantial fiscal stimulus package financed by new government bond issues raised the public debt to GDP ratio to a high level which may have future implications for Japan's credit rating. Declining export demand, particularly in the technology sector resulted in GDP growth falling from 2.2% in 2000 to 1.0% in 2001.

Reflecting its proximity and close integration with the US economy, real growth in **Canada's** GDP slowed substantially in 2001 to 1.4%, down from 4.4% in the previous year, while the rate of unemployment jumped from 6.8% in 2000 to 8.0% in 2001, the highest level in nearly three years. Over the first eleven months of the year, industrial production experienced a 6.0% contraction. In response, monetary policy was significantly loosened with official interest rates being lowered by 350 basis points, and tax cuts that had been legislated in 2000 also acting as stabilizers to moderate the downturn.

Inflationary pressures remained stable, reflecting the fall in demand and declining oil prices in the latter part of the year.

While many advanced countries were hit hard during the year, economic activity in the **United Kingdom** appeared to be more resilient to the global downturn and negative impact of September 11. Growth in GDP was therefore projected to slow moderately from 2.9% in 2000 to 2.3% in 2001. Some adverse effects were nevertheless experienced as industrial production fell by 4.6% while exports suffered from the strong exchange rate and shocks to the information technology sector. On the other hand, demand was spurred on by strong private sector consumption and budgeted increases in government spending. Inflation rose marginally to 2.3% and the unemployment rate saw a 0.4% decline to 5.2% over the year.

After a 6.0% growth in 2000, the **Taiwanese** economy sank into a deep recession registering a 2.2% contraction over the year despite moderate signs of recovery during the last quarter of 2001. Plagued by persistent deflation, excess capacity and a weak financial system, economic activity slowed further due to the global downturn and the collapse of American investment in information technology and electronics. Private consumption stagnated largely due to a decline in real salary growth and a 5.1% increase in unemployment while industrial production fell by 7.5% over the year. In the fourth quarter, Taiwan's trade surplus rose to US$5.7bn, up from US$2.4bn in the third, with imports declining at a faster pace relative to exports.

Development in Selected Regional Economies

## The Caribbean

Preliminary estimates are that **Trinidad & Tobago's** GDP grew by only 1% during the first three quarters of 2001 as expansion in the petroleum sector was largely offset by weakened performance of non-petroleum sectors such as manufacturing, services and agriculture. Drought and industrial disputes led to a 5.3% decline in sugar production during the year, while rising food prices helped to push the inflation rate upward to 5.8%. The financial system experienced generally liquid conditions reinforced by a 2% reduction in reserve requirements in mid-May that increased the downward pressure on interest rates. Credit growth was nevertheless slack with demand reflecting the general slowing of the economy. Over the first half of the year, the government's fiscal accounts registered a surplus of TT$1.2bn that was expected to decline by the end of the fiscal year due to projected increases in expenditure.

Over the first three quarters, **Jamaica's** GDP rose by approximately 3.5%, as output in the mining industry rebounded to normal levels and all other major sectors except electricity and water and miscellaneous services expanded. On an annual basis, growth is however expected to tail off to 1.0%, as compared to 0.5% in 2000. Between January and October 2001, consumer prices rose by 8.3%, a slight decline from that of 2000 that mainly reflected stability in the exchange rate. Projections for the end of the year point to a further decline of 7.6%. The latter enabled monetary policy to be eased somewhat with reductions in liquid asset and cash reserve ratios over the period facilitating a downward movement in interest rates. Central government operations generated a fiscal deficit of J$2.6 billion prior to the completion of negotiations for the privatization of the Jamaica Public Service Co. (electricity supplier), Jamaica Railway Corporation, the Sangster International Airport and the National Commercial Bank of Jamaica.

After growing by nearly 3.0% per annum for eight consecutive years, real GDP in **Barbados** declined by 2.8% in 2001 largely due to the impact of a slowing world economy and September 11. All economic sectors were affected by the downturn, which caused increases in both male and female unemployment. A 5.9% contraction occurred in the tourism sector as arrivals of both long-stay and cruise ship passengers fell. The manufacturing sector also suffered setbacks partly due to the increased

**Table II.2: Selected Indicators for Some Caribbean Countries**

| Country | GDP Growth Rate (%) | | Inflation Rate (%) | | Unemployment Rate (%) | | Deficit/GDP Ratio (%) | |
|---|---|---|---|---|---|---|---|---|
| | 2000 | 2001 | 2000 | 2001 | 2000 | 2001 | 2000 | 2001 |
| Barbados | 3.0 | (1.5) | 3.8 | 0.3 | 9.3 | 10.0 | n.a | n.a |
| Jamaica | 0.5 | 1.5 | 6.1 | 7.6 | 15.5 | n.a | n.a | n.a |
| Trinidad | 5.0 | 1.0 | 5.1 | 5.8 | 12.5 | n.a | 20.9 | n.a |

Source: ECLAC
n.a: not available

competition associated with trade liberalization. As a result, real output of all major sub-sectors declined significantly. The economic recession pushed credit demand lower. Coupled with strong deposit growth this contributed to a build-up in excess liquidity and interest rate declines. Meanwhile, weak revenue growth coupled with increases in current and capital outlays led to a widening of the fiscal deficit to 3.5% of GDP. Net official reserves nevertheless rose by $439.7mn reflecting strong inflows in the first quarter and the proceeds from an international bond issue in December.

Real GDP growth in **Guyana** expanded marginally by 1.3% during the first half of the year as major productive sectors such as agriculture, mining and quarrying struggled. Consumer prices registered a 0.4% decline as higher transportation and communication charges were more than offset by lower prices for foods such as fresh fruit and vegetables. Meanwhile, even with a smaller Central Government deficit, the overall financial position of the non-financial public sector deteriorated due to a decline in receipts and increased current expenditure by public sector enterprises. In the external sector, the trade and current account deficits widened, reflecting declines in export volume and prices of almost all major commodities. When this was combined with a fall-off in private investment inflows, the result was a reversal of the overall balance of payments position from a surplus into a deficit.

## OECS

The overall performance of the Eastern Caribbean States appeared to have slowed during the first six months of the year relative to that of the same period in 2000. Contractions were mainly in the agricultural sector, which saw a substantial decline in banana production. Notably, production in **St. Lucia** (the region's largest producer) fell by more than one half (55.1%). Declines also occurred in tourism with both cruise ship visits and stay-over visitors generally down except for increased cruise ship visits to **Antigua** and **Barbuda**. The performance of the manufacturing sectors in **Dominica** and **St. Vincent and the Grenadines** was mixed with increased output of some products being offset by declines in others. Meanwhile, the fiscal operations of the combined Central Governments generated a current account surplus that was, however, expected to contract with projected increases in outlays for personal emoluments and higher interest payments given the increased size of the disbursed outstanding debt.

## Mexico

The Mexican economy stagnated in 2001, registering a 0.1% contraction that was in sharp contrast to the targeted growth rate of 4.5% and well below the previous year's rate of 7.0%. The economic recession in the United States (which accounts for 90.0% of Mexico's exports) was the principal factor causing the slow-down in the first six months to deteriorate into a considerable downturn in the second half of the year. Monetary and fiscal adjustments in response to the changing economic situation included an easing of monetary policy in the latter part of the year. This coincided with cuts in public sector spending, which reduced the fiscal deficit to 0.7% of GDP. With imports also declining, the external current account deficit was held to 3.1% of GDP. Meanwhile, strong foreign inflows from foreign direct investment and international debt issues boosted reserves and contributed to a real appreciation of the peso. This helped to reduce inflation to 5.4%, the lowest level since 1972.

## Central America

Central American economies were faced with an increasingly hostile external environment in 2001 as growth in world trade and the US economy sharply decelerated and international prices for raw materials fell. Financial turbulence associated with declines in the world's stock markets and uncertainty in the wake of the events of September 11 in the United States were significant factors. These were compounded by a number of regional occurrences, including natural disasters (earthquakes in El Salvador, drought in various countries, hurricanes in Belize and Honduras), that forced authorities to undertake unbudgeted public expenditures. In a positive development, the Free Trade Agreement between Mexico and the Central American Northern Triangle (El Salvador, Guatemala and Honduras) was implemented, which should help to mitigate the impact of the world recession on trade.

The **Panamanian** economy lost further momentum in 2001 with GDP growth declining from 2.6% in 2000 to 0.5%. A contraction in capital formation that was partly due to a decline in foreign investment inflows as well as a slow-down in domestic consumer spending were notable developments. Weakening external demand enabled only marginal growth in exports during the year. On the other hand, the domestic slow-down caused imports to contract significantly resulting in a 56.7% decline in the external current account deficit. Against the backdrop of a weakening economy and falling revenues, the Government was forced to reverse

**Table II.3: Selected Indicators for Mexico and Central America**

| Country | GDP Growth Rate (%) | | Inflation Rate (%) | | Unemployment Rate (%) | | Deficit/GDP Ratio (%) | | Trade Balance US $ bn | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2000 | 2001 | 2000 | 2001 | 2000 | 2001 | 2000 | 2001 | 2000 | 2001 |
| Costa Rica | 1.7 | 0.3 | 10.2 | 11.0 | 5.3 | 5.8 | (3.0) | (3.2) | 0.4 | (0.2) |
| El Salvador | 1.9 | 1.5 | 4.3 | 3.0 | 6.5 | 6.1 | (2.3) | (3.9) | (2.0) | (2.2) |
| Guatemala | 3.1 | 2.0 | 5.1 | 9.8 | n.a | n.a | (1.9) | (2.5) | (1.5) | (1.6) |
| Honduras | 5.0 | 2.5 | 10.1 | 9.0 | 3.5 | 6.3 | (5.9) | (5.5) | (0.8) | (1.0) |
| Mexico | 7.0 | (0.1) | 9.0 | 5.4 | 2.2 | 2.5 | (1.1) | (0.7) | (10.4) | (13.3) |
| Nicaragua | 4.7 | 2.0 | 9.9 | 5.8 | 9.8 | 10.7 | (7.8) | (8.5) | (1.0) | (1.1) |
| Panama | 2.6 | 0.5 | 0.7 | 0.7 | 15.2 | 16.9 | (1.3) | (2.0) | (0.5) | (0.1) |

Source: ECLAC
n.a : not available

its moderate counter-cyclical policy of the first part of the year and cut back on budgetary expenditures in an attempt to rein in the fiscal deficit.

GDP growth slowed again in **Nicaragua** falling from 4.7% to 2.0% as growth in construction, trade, transport, agriculture and governmental services declined. With revenues rising by only 1.2%, total government expenditure rose by 3.4% with cuts in capital outlays being more than offset by increased current expenditure. The result was a worsening of the fiscal deficit to GDP ratio to –8.5%. At the same time, the external current account deficit increased slightly to 39.0% of GDP, reflecting a widening trade deficit plus higher interest payments and profits repatriation. Monetary policy remained tight in view of the high fiscal deficit and costs associated with the banking crisis of 2000. With a slowing economy, lower petroleum prices and greater stability in tariffs for basic services, the rate of inflation fell to 5.8% while the unemployment rate rose to 10.7%.

The **Honduran** economy experienced modest growth of 2.5% driven by domestic consumer spending as gross fixed capital formation declined for the second consecutive year. Central government outlays to rebuild infrastructure and alleviate poverty generated a fiscal deficit equalling 5.5% of GDP. As has been the case since Hurricane Mitch in 1998, financing was entirely from foreign sources. A slump in international coffee prices compounded by the effects of the US recession led to a minimal 0.3% growth in exports of goods and services. In comparison, imports rose by 6.6%, and this raised the external current account deficit by US$100.0mn to US$359.0mn which was financed by foreign investment inflows. The rate of inflation declined slightly during the year to 9.0% mainly due to a slight appreciation of the lempira. Around the middle of the year, the country suffered a drought and later on in October, the glancing effects of Hurricane Michelle.

The **Guatemalan** economy slowed for the third consecutive year with GDP growth of 2.0% that was driven by public investment and consumption. Worsening terms of trade, drought, world recession and disputes between certain corporate groups and the government caused a 4.0% drop in private investment and a contraction in export earnings. The inflation rate almost doubled to 10.0% due to exchange rate depreciation, the effect of the drought on food prices, higher taxes and monetary liquidity. Inflation remained stubbornly unchecked, notwithstanding Central Bank open market operations aimed at reducing monetary expansion. The government's fiscal deficit rose to 2.5% of GDP reflecting low levels of tax revenues and emergency support for the coffee industry. In addition to external financing of the deficit, a US$325.0mn bond issue was undertaken in November to facilitate debt restructuring. Combined with foreign direct investment linked to privatization of the telephone company, these inflows swelled international reserves and offset a current account deficit equivalent to 4.8% of GDP.

GDP growth in **El Salvador** slowed further to 1.5% due to weak domestic and external demand that was influenced by the US economic recession, 2 earthquakes and agricultural drought. The January and February earthquakes, which killed almost 1,200 people and caused an estimated US$1.6bn in material damages (roughly 12.0% of GDP), gave rise to increased government spending. This pushed the fiscal deficit up to 3.9% of GDP with financing mainly sourced externally through the issue of treasury notes. Meanwhile, a decline in merchandise exports coupled with expansion in imports led to an increase in the external current account deficit that was largely offset by foreign direct investment inflows and new loans. Dollarization of the economy was initiated early in the year and by October, 46.0% of currency and deposits had been converted. With this as the backdrop, the annual rate of inflation declined from 4.3% in 2000 to 3.0%.

The contraction in external demand along with a fall-off in tourist inflows hindered growth in the **Costa Rican** economy in 2001. GDP rose by 0.3% as growth in the construction and mining sectors were largely offset by declines in manufacturing (particularly in the high-technology electronic industry and textiles) and agriculture. The country's trade gap increased significantly and its current account deficit rose to 5.0% of GDP resulting in a US$75.0mn decline in reserves even though capital flows were much higher in the form of foreign direct investment and a new central government bond issue. With regular devaluations arising through the crawling peg exchange regime, the inflation rate rose to 11.0% even as urban and rural unemployment rose. Meanwhile, high debt servicing payments and outlays for salary increases and transfers pushed the government's fiscal deficit upward from 3.0% to 3.2% of GDP.

# Domestic Production, Prices and Employment

## *Production*

As the country battled with declining revenues from international markets while facing the need for reconstruction efforts at home after consecutive years of hurricane damages, real economic growth decelerated to 4.6% in 2001, down from the sharp expansion of 10.8% in 2000. In contrast with the previous year and despite the shocks suffered, the main engine of growth was the primary sector.

Output in the primary sector almost tripled, moving from 4.8% to 12.0%, as growth in the fishing and forestry sub-sectors more than compensated for a mediocre performance on the part of the agricultural sub-sector. The latter decelerated from 4.9% to 2.9%, due mainly to contractions in sugarcane and banana production caused by Hurricanes Keith in 2000 and Iris in 2001. On the other hand, real growth of 36.2% was recorded in the fishing sub-sector largely because of farmed shrimp where a substantial expansion of ponds took place. While actual productivity declined due to heightened shrimp mortalities caused by the resurgence of Taura virus, overall output was higher due to the expansion in industry capacity. A marked increase in pine wood harvesting also pushed the contribution of the forestry sub-sector up to 16.0%, as loggers attempted to salvage some economic value from trees infected with the pine bark beetle. The intensive logging was aimed at controlling the spread of the disease by removing sources of infection. However, the transitory growth spurt in forestry also marked the path for future significant contractions in this sub-sector as the economic impact of widespread damages caused by the beetle are fully realized.

**Table III.1: Annual Percent Change in Selected Indicators**

| | 1999 | 2000 | 2001 |
|---|---|---|---|
| GDP at Current Market Prices | 11.6 | 12.0 | 2.8 |
| Real GDP at Factor Cost (1984 prices) | 6.5 | 10.8 | 4.6 |
| Primary Activities | 12.5 | 4.8 | 12.0 |
| of which: Agriculture | 9.1 | 4.9 | 2.9 |
| Fishing | 28.8 | 13.1 | 36.2 |
| Forestry | (0.6) | (30.9) | 16.0 |
| Secondary Activities | 4.3 | 17.6 | 3.7 |
| of which: Construction | 20.5 | 14.8 | 9.0 |
| Services | 5.4 | 10.5 | 2.0 |
| of which: Trade, Restaurant & Hotel | 3.1 | 24.1 | (0.6) |
| Public Administration | 2.4 | 3.8 | 3.5 |
| Transport and Communication | 8.2 | 3.0 | 4.3 |
| Consumer Price Index | | | |
| Average | (1.2) | 0.6 | 1.1 |
| End of period | (1.0) | 1.0 | 1.0 |

Source: Central Statistical Office

The secondary sector experienced a significant deceleration with growth falling from 17.6% to 3.7%, as lower growth in manufacturing and utilities largely offset a 9.0% increase in construction activities.

A slowing of activity was also observed in the services sector, which delivered a 2.0% increase as compared with growth of 10.5% in the previous year. While tourism expanded, this was completely overshadowed by a contraction in international trade that resulted in negative growth of 0.6% for the sub-sector. The trade downturn rippled throughout the sector, dampening growth in other services, especially 'Finance & Insurance', which slowed from 18.8% to 2.6%.

Despite the deceleration in GDP caused by exogenous shocks towards the end of the year, the high level of economic activity during the first quarters lowered the unemployment rate to a reported 9.3%.

The growth in output was accomplished with very modest inflation of 1.1%. Helping to keep prices low was a 0.7% reduction in import costs as measured by the US export price index as well as the capping of average levels of import duties at 20.0% as required by the CARICOM External Tariff agreement.

## Agriculture

### *Sugarcane*

In the midst of the sugarcane growing season, Hurricane Keith ravaged the country's northern coastline leaving in its wake torrential rainstorms that caused major flooding of agricultural lands. The damage from the hurricane further depressed yields from a crop that was already performing sub-optimally from low input usage as farmers struggled under high debt burdens in the face of declining prices. The 2000/2001 sugarcane crop was therefore forecasted to have one of the lowest industry yields in a very long time.

Sugarcane deliveries consequently totalled 1.0mn long tons, a 6.9% decrease when compared to the 1999/2000 crop. After grinding for 198 days (six days less than the 204 days operated in the previous crop), the factory was forced to close due to the sugarcane shortage. The quality of the sugarcane was also lower than that of the previous year, with cane purity falling from 86.23% to 85.65% as a result of poor weather conditions and increased mud content .

**Table III.2: Sugarcane Deliveries**

| | 1998/99 | 1999/20 | 2000/01 |
|---|---|---|---|
| Deliveries to BSI (long tons) | 1,162,578 | 1,098,771 | 1,023,440 |

Source: Belize Sugar Industries Ltd.

In the face of depressed world market prices as well as lower prices from the EU caused by the depreciation of the euro against the US dollar, sugarcane prices for the 2000/2001 crop year averaged $41.13 per ton, a further slip downwards from the $42.18 paid in 1999/2000.

**Box 1: Sugar Industry - Survival Adjustments**

Tightened quotas, declining prices in preferential markets and global production surpluses were the major underlying causes of the second year of financial losses sustained by the industry. Forecasts indicate that these losses should continue for 2002, as well.

Several key developments occurred as the industry struggled with the necessary adjustments for its survival. The first of these was the passage of the new Sugar Industry Act 2001. This Act puts into place the legal framework for institutional development and other changes that should effect the far-reaching adjustments so desperately needed to boost productivity and competitiveness. A major step was the move to dismantle the current inefficient licensing system where many licenses are in small, uneconomic quantities and many non-farmers are allowed to hold licenses. For a two-year period, delivery licenses have been suspended and sugarcane farmers will be allowed to deliver as much as they are able. At the end of this period, licenses will be re-issued, based on the farmer's average delivery over the previous two years. Another positive development will be the establishment of a sugarcane research facility. Such a facility is critical to enhance field productivity by providing farmers with updated and new technological advances that impact on field yields and costs. Remuneration to farmers will be based on sugarcane quality, motivating farmers to practice better field management.

On other issues, the sugar processor was able to obtain permission to expand its sugarcane production. The objective is to produce between 150,000 to 175,000 long tons over a four-year period. This will enable farmers to see a model farm in operation and, hopefully, convince them of the need for greater field efficiency and productivity.

On the diversification front, continued efforts are being made to attract an investor that would set up a co-generation plant. Such a plant would significantly increase the value added of the industry.

In conclusion, while the industry has begun to address some of the critical survival issues, several major factors still remain to be tackled. Chief among these are the rationalisation of sugarcane harvesting and delivery costs as well as the high handling costs for transporting sugar from the factory to the ship for export. A speedy resolution to the preceding is critically important.

Table III.3: Citrus Fruit Deliveries

| | 1998/99 | 1999/00 | 2000/01 |
|---|---|---|---|
| Deliveries ('000 boxes) | 5,734 | 6,981 | 7,195 |
| Oranges | 4,415 | 5,590 | 5,734 |
| Grapefruits | 1,322 | 1,391 | 1,461 |

Sources: Del Oro Belize Limited, Citrus Growers Association

***Citrus***

The 2000/2001 citrus crop achieved record deliveries of 7.2mn boxes of fruit, a 3.1% increase over the 1999/2000 crop. This strong performance was achieved despite a one-month delay (the harvest beginning in November rather than the customary October). Fruit maturation was delayed because of heavy rains from Hurricane Keith and the early onset of cool weather during the beginning of the harvest. While the industry's fruit output did grow, maximum crop yields were not obtained due to labour shortages experienced by the larger farms and the widespread use of inexperienced harvesters. The latter occurred as many of the more seasoned workers exited citrus farming in favour of employment elsewhere in the economy after benefiting from the amnesty programme for illegal aliens. Farmers were consequently left with no choice but to hire large numbers of inexperienced seasonal workers.

Young groves coming into production increased the number of harvestable trees, boosting orange deliveries by 2.6% to 5.7mn boxes and that of grapefruit by 5.0% to 1.5mn boxes. As more trees reached harvest maturity, overall yields for the industry were expected to increase annually for the next two or three years. However, the Citrus Growers Association (CGA) estimates that the industry has been set back by two years due to hurricane damage.

The final box price for oranges was $4.37, down from $5.03 paid for the 1999/2000 crop. On the other hand, strong export demand kept grapefruit prices above $4.00 with the final box price settling at $4.05, still some $0.08 below that received for the previous year. The result was that farmers were apparently caught once again in a tight price squeeze since costs of production per box of orange and grapefruit are estimated by the CGA to be $5.75 and $5.09, respectively. These costs reflect low field productivity (yields average 1.1 boxes per tree versus 3 to 4 boxes realised in Florida), thinning groves (where dead trees are not being replanted) and measures necessary for fruit fly control.

***Banana***

In early October, Hurricane Iris wreaked destruction in a thirty-five miles swath of southern Belize, an area where the majority of banana plantations are situated. The devastation to banana fields brought production to an immediate halt.

The premature halt after only 40 weeks resulted in total production in 2001 of 2.6mn boxes of fruit, in contrast with the previous year when 52 weeks yielded 3.6mn boxes. Even before the hurricane, production had been sub-optimal because of very poor climatic conditions. Heavy rains and very cool weather during the early part of the year had retarded blossom formation and increased field quality problems.

At the beginning of 2001, the total area under banana cultivation measured 5,211.9 acres, of which 4,750.6 acres had plants of harvestable maturity (producing) and 461.3 acres had plants that were non-producing. By the end of December, the total area under cultivation had risen to 6,146.5 acres, of which 1,517.3 acres were producing, 3,415.9 acres were non-producing and 1,213.3 acres were being replanted. Hurricane damage had been mainly to the large plants of harvest maturity, most of which were blown over and completely destroyed. While some of the young plants were also killed, sufficient remained alive to avoid the need for complete replanting of all the fields. Axis International, a private consultant, estimates the damage to plantations to be in the region of $19.5mn.

### *Papaya*

During 2001, approximately 741 acres were under papaya cultivation with 380.5 acres having harvestable trees. The remaining 360.5 acres contained young non-producing trees. Cultivation continued to be concentrated in the Orange Walk and Corozal districts where participation by local farmers rose to 33.0%, triple their share since the previous year.

Acreage was divided relatively evenly between large and small varieties with the big cultivars accounting for 51.0% and the remaining 49.0% of papaya acreage being devoted to small papayas. Local farmers produced about half of the small papayas that were exported. It is expected that more acreage will be shifted to the large cultivar since it is more resistant to viral diseases. This industry shift to larger papayas explains the surge in yield and export volumes.

During the year, producers were plagued by field problems, a major source being viral damage to plants and fruits. This caused significant tree losses (almost as much as the losses from Tropical Storm Chantal which swept through the north of the country in mid August destroying as much as 50.0% of some fields that were at their harvest peak). Producers therefore intensified efforts to shift to more resistant cultivars. Fields with younger plants were able to recuperate faster while others have undergone major replanting. Most producers suffered financial losses from the combined effects of viral and storm damage.

### *Other Agricultural Production*

Despite suffering some damage from Hurricane Iris and the after effects of Tropical Storm Chantal during the last quarter of 2001, the production of other major basic grains did very well. Corn production (that had been badly hit by Hurricane Keith in 2000) rose from 60.1mn to 81.1mn pounds. Rice paddy also registered a small increase from 24.9mn to 25.3mn pounds. Red Kidney bean production expanded by 32.7% to 12.3mn pounds, one of the highest yields in a long while.

Large-scale soybean production began in earnest during 2001 with over 450 acres planted in June/ July and another 2000 acres planted in October. (*See Box 2*).

### Box 2: Soybean Production Project

In the early 1980's, extensive work had been done with soybeans as part of a project aimed at achieving agricultural diversification. The intention was to encourage local cultivation in order to supply a protein rich base for animal feed as well as to produce cooking oil for the domestic market. It was felt that achievement of these objectives would not only provide a cash crop for farmers but also save scarce foreign exchange through import substitution. However, while some production of soybean did take place and continued on a small scale thereafter, the major objectives were never fully achieved because the focus at the time was on small-scale rather than large-scale production units, and the economies of scale weighed heavily against profitability.

Since then, dynamic expansion in the farmed shrimp industry has occurred in Belize, providing a ready market for protein rich animal feed and assisting in resurrecting the original goals of import substitution and foreign exchange savings. In 2001, the Government launched a soybean production project that aims to eventually cultivate a minimum of 5,000 acres by 2002. The first phase involved cultivation of 450 acres in June/ July and another 2,000 acres in October. The project undertook the planting of the first 450 acres and farmers were involved in the second planting in October. Field trials took place in Hill Bank, Little Belize, Blue Creek and Spanish Lookout.

The first phase assessed the most appropriate cultivars suited to Belize's climatic conditions and refined the technological production package. In June and October 2002, farmers are expected to plant another 1,000 and 5,000 acres, respectively. Project personnel will be providing technical advice, and field services such as planting and harvesting. Phase two of the project will involve the setting up of an oil processing plant, which is to be eventually sold to the private sector.

While gauging the success of this effort will require at least a three-year period, all indications have been favourable so far. The 2001 field trials have demonstrated that soybean can be produced profitably for the local market if done in units of a certain minimum economic size. Field apparatus like the heavy-duty soybean harvesters and planters are already in place. More importantly, some farmers have been quick in taking up the production challenge.

Livestock production rebounded to a semblance of normalcy after the disruption to animal rearing caused by Hurricane Keith in 2000. Cattle and pig dressed weights increased by over 50.0% when compared to 2000. Pork in particular appeared to respond to the higher demand derived from the increase in local meat processing. Dressed poultry amounted to 27.5mn pounds, a noticeable increase over the previous year, while egg production totalled 2.1mn dozens. Milk production, including output from the small cattle farms, measured 4.3mn gallons. Meanwhile, honey production almost halved as bees could not forage well due to the destruction of flora caused by the intense storms that hit the country during the year. Problems with the export certification of honey once again stymied exports to the UK.

### *Marine Products*

The year 2001 was a rather challenging one for the marine sub-sector which strove to deal with several calamities.

Farmed shrimp production rose by approximately 30.0% to 9.8mn pounds of whole shrimps due to prior investments that expanded the area of harvestable ponds by over 1,070 acres in 2001, although not all of this area were stocked with shrimps. The Taura virus, once thought to have been eradicated, reappeared on all farms, causing very high mortality rates of 30.0% or more. Industry insiders point to the damage caused by Hurricane Keith to shrimp ponds in late 2000 as the likely cause of the virus resurgence. Increased pond acreage was, however, able to offset the mortality losses and boost industry yields overall.

Hurricane Keith had also inflicted damage to fishing grounds and destroyed a high percentage of lobster traps, causing lobster production to plummet by 24.1% to 478,034 pounds in 2001. The lobster catch is expected to make a slow recovery as the population recuperates from the disturbance to its habitat. Production in the south was similarly affected by Hurricane Iris when it struck the country in October 2001. Upheaval to the fishing grounds brought about by these hurricanes also resulted in a decline in finned fish production. Conch production, on the other hand, rose by 2.3% to 579,561 pounds as the population recovered from the damage to grass sea beds, their natural habitat, caused by Hurricane Mitch three years ago.

### Forestry, Mining and Construction

Reversing the declining trend of previous years, forestry delivered a 16.0% expansion as logging activities intensified feverishly during the year. The flurry of activities reflected the increased harvesting of pine forests as loggers felled pine trees suffering from severe damage caused by the pine bark beetle as well as healthy trees to create a buffer zone that might halt the spread of the disease. The widespread beetle infestation required that the forests be cleared of infected trees not only for disease control but also for fire prevention purposes. The surge in production is hence of a transitory nature since the widespread destruction of pine forests wreaked by the beetle will manifest itself in the years to come.

Construction activities decelerated in the meantime, from real growth of 14.8% in 2000 to a still robust 9.0% in 2001. Hurricane reconstruction and residential construction works contributed significantly to output. The continuation of several infra-structural projects from 2000, as well as the commencement of new works such as the seaport dredging, also assisted in maintaining the momentum of this sub-sector.

Parallelling the performance in construction activities, growth in the mining sub-sector also decelerated from 23.9% to 3.4%, with reported slowdowns in the extraction of sand, gravel, limestone and other minerals.

## Manufacturing

### *Sugar and Molasses*

Reflecting the decline in sugarcane deliveries, sugar production for the 2000/2001 year fell by 13.6% to 103,862 long tons.

Notwithstanding the various investments undertaken during the year to improve sugar quality and increase cane acceptance capacity, overall factory time efficiency declined from an average of 91.08% to 88.6%. Increased downtime caused by mechanical difficulties added to the waiting time for sugarcane milling, and hence, contributed somewhat to the drop in cane purity from 86.23% to 85.65%. However, the major factor that impacted the level of sugars in the sugarcane was the sub-optimal input usage and poor field growing conditions. The loss in overall efficiencies caused the cane/sugar ratio to deteriorate from 9.14 to 9.85, meaning that 7.8% more sugarcane was required to produce a given unit of sugar.

Primarily because of the lower processing volumes, molasses production also decreased by 3.4% to 34,411 long tons.

### *Citrus Juices and Pulp*

Even with a modest 3.1% growth in fruit deliveries, the volume of juice production contracted by 24.8% to 6.7mn gallons. The change reflected a shift in

**Table III.4: Sugar and Molasses Production**

| | 1998/99 | 1999/00 | 2000/01 |
|---|---|---|---|
| Sugar Processed (long tons) | 116,067 | 120,275 | 103,862 |
| Molasses Processed (long tons) | 41,361 | 35,633 | 34,411 |
| Performance | | | |
| Overall Factory Efficiency | 89.39 | 91.08 | 88.6 |
| Cane Purity (%) | 84.20 | 86.23 | 85.65 |
| Cane/Sugar Ratio | 10.02 | 9.14 | 9.85 |

Source: Belize Sugar Industries Ltd.

**Table III.5: Production of Citrus Juices and Pulp**

| | 1998/99 | 1999/00 | 2000/01 |
|---|---|---|---|
| Production ('000 gals) | 6,400 | 8,960 | 6,734 |
| Orange Concentrate | 2,978 | 4,344 | 4,925 |
| Grapefruit Concentrate | 678 | 716 | 777 |
| Not-from-concentrate (NFC) | 2,743 | 3,890 | 1,032 |
| Production (pounds) | | | |
| Pulp | - | 1,983 | 2,427 |

Sources: Belize Food Products; Citrus Company of Belize.

processing strategy to maximise production of concentrate and minimise that of the not-from-concentrate (NFC) product. This resulted in a lower gallon volume (since concentrate has less water than NFC) even though the pound solid out-turn was higher than the previous year's. The change in processing emphasis toward the larger and more stable concentrate market became necessary because of the drop in NFC prices and smaller market share.

With deliveries up and the bulk of fruits going into the production of concentrates, output of these juices rose by 12.7% to 5.7mn gallons, consisting of 4.9mn gallons of orange concentrate and 0.8mn gallons of grapefruit concentrate. Production also included the freeze concentrate juice (very similar in quality to the NFC product) that more than doubled in response to trial marketing in Asia.

As expected, the production of NFC juices declined across board to 1.0mn gallons compared with 3.9mn gallons in the previous year. Output of orange NFC (0.5mn gals) was kept to the quantity necessary to mix with stocks held over from 2000 in order to improve their saleability. On the other hand, output of grapefruit NFC (0.5mn gals) was restricted by fruit quality and the low out-turn of pound solid per box of fruit. The grapefruit crop experienced the greatest quality problems arising from the heavy rains caused by Hurricane Keith in late 2000.

Pulp production entered its second year with output up by 22.4% to 2.4mn pounds, the majority of which was orange. However, production of grapefruit pulp abruptly ceased in December after quality problems were manifested at the retail level.

### *Other Manufacturing Production*

The performance of other manufacturing production was mixed. Production of rum, batteries and garments declined by 25.4%, 30.9% and 23.1%, respectively. Accounting for the latter was the switch by one of the largest factories to a dress style that was more labour intensive to sew. On the other hand, output of beer, soft-drinks, flour, cigarettes and fertilizer were all higher. An expansion in brewing capacity boosted beer production from 2.4mn to 2.9mn gallons during the year. Soft-drink production also rose sharply by 7.8% to 5.3mn gallons while flour production measured 26.1mn pounds, a 3.6% increase over the previous year.

## Box 3: Tourism Developments and Prospects

### Developments in 2001

Recognizing that an increase in tourist traffic would boost overall industry returns, the Belize Tourism Board intensified its television advertisement in the United States, its major market, with a three-month coverage on cable television during the first quarter of the year. One objective was to attract more tourists during the summer or off-peak period, thereby reducing the marked seasonality that characterizes tourist flows to date. Internet marketing was also intensified with potential tourists able to make reservations for hotel, vehicles and tours on the web. The success of these efforts was evident. While tourist traffic temporarily slowed after the bombing disaster in New York and the ravages of Hurricane Iris in October, growth in arrivals before September 11 was able to compensate for the subsequent slowdown.

The consolidation and enhancement works on thirteen archeological sites continued on target. These works are being carried out under a four-year project that commenced in 2000 and will terminate in 2004. In other developments, work began on the construction of new buildings and support facilities at the northern and western borders to manage tourist flows at the land entry points.

The cruise ship sub-sector was quite active during the year. In the first part of the year, port calls declined significantly as one of the visiting cruise lines went into bankruptcy. Nevertheless, consistent marketing efforts were successful in attracting new cruise lines as well as in winning more port calls from existing lines already calling in Belize. The first phase of construction of the Belize Tourism Village was completed in October, providing an attractive environment to welcome cruise ship visitors and encourage more spending.

### Prospects

During 2002, the tourism industry should accomplish the following:

- Phases 2 and 3 of the Belize Tourism Village should be completed. Phase two consists of the construction of a marina and water taxi terminal, while phase 3 consists of the construction of an amphitheater and more stores.
- The construction of new immigration and customs facilities at the northern and western borders should be completed by mid-year.
- Implementation of the third year of reconstruction and improvement works on major national archaeological sites.
- Implementation of a two-year national training project for all stakeholders in the industry.

**Table III.6: Bonafide Tourism Arrivals**

| | 1999 | 2000 | 2001 |
|---|---|---|---|
| Stayover Arrivals | | | |
| Air | 111,578 | 128,050 | 129,419 |
| Land | 38,319 | 37,342 | 38,042 |
| Sea | 9,847 | 9,475 | 10,144 |
| Total stayovers | 159,744 | 174,867 | 177,605 |
| Cruise Ship Arrivals | 29,011 | 44,360 | 40,899 |

Sources: Immigration Department, Belize Tourism Board, Central Bank of Belize

## *Tourism*

Despite the September 11 disasters and the devastation in the southern parts of the country due to Hurricane Iris in October, arrivals of bona fide stay-over tourists totalled 177,605, (1.6% higher than in 2000).

The number of arrivals through all entry points grew, reflecting the success of promotional efforts to market Belizean tourism abroad. The bulk of the visitors (72.9%) came through the Philip Goldson International Airport (PGIA). The land and sea borders accounted for 21.4% and 5.7%, respectively. Immediately following the September 11 disaster in the United States, air arrivals plummeted as all international airports in the US, the main feeder link for tourists, were closed. While air travel has slowly been recovering, the growth in traffic prior to September was able to more than compensate for the falloff since, even leading to a 1.1% overall growth in air arrivals for 2001.

The main markets continued to be the United States and Europe, with Americans accounting for 57.3% and Europeans for 11.8% of all arrivals by land and air.

Cruise ship day visitors declined by 7.8% to 40,688 as the number of port calls in the first part of the year fell abruptly because of financial difficulties experienced by one of the cruise lines visiting the country. Intensive lobbying to attract other cruise lines to Belize proved successful with port calls starting in the last quarter of the year. The advent of new cruise lines means that ships should be calling year-round, a welcome shift from the previous seasonal October to April port calls.

**Table III.7: Quarterly Percentage Change in CPI Components by Major Commodity Group**

| Major Commodity | Weights | 01-Feb | 01-May | 01-Aug | 01-Nov | Inflation Rate |
|---|---|---|---|---|---|---|
| Food, Beverage and Tobacco | 346.6 | (0.4) | 0.3 | 0.5 | (0.2) | 0.5 |
| Clothing and Footwear | 92.0 | 0.1 | (1.6) | (0.5) | (0.1) | (3.5) |
| Rent, Water, Fuel and Power | 167.0 | 1.5 | 0.0 | 0.1 | (0.9) | 2.1 |
| Household goods & Maintenance | 85.3 | (0.5) | (0.1) | (0.4) | 0.1 | (0.9) |
| Medical Care | 20.1 | 0.3 | 0.0 | 0.2 | 0.4 | 1.9 |
| Transport and Communication | 170.1 | 0.6 | 3.7 | (2.5) | 3.7 | 5.3 |
| Recreation , Education, Culture | 80.4 | 0.3 | (0.9) | 0.0 | (0.2) | (0.4) |
| Personal Care | 37.9 | (0.1) | 1.2 | 0.1 | (0.4) | 0.3 |
| **All items** | 1,000.0 | 0.3 | 0.6 | (0.3) | 0.4 | 1.1 |

Source: Central Statistical Office

## Prices

After two years during which the cost of living had declined, the rate of inflation during 2001 as measured by the Consumer Price Index (CPI) was 1.1%. Prices rose consistently during the year except for a transitory decline of -0.3% in August.

Prices of all categories of goods and services rose except for 'Clothing & Footwear', 'Household Goods & Maintenance' and 'Recreation, Education & Culture'. The largest cost increases came from services, most of which were dependent on fuel inputs – 'Transport & Communication' (5.3%), 'Rent, Water, Fuel & Power' (2.1%) and 'Medical Care' (1.9%). Contributing substantially to the increases were butane gas and the relatively high fuel prices at the pump. The price of butane gas did eventually fall, but only during the last quarter, too late to neutralise the effects of higher prices during the first part of the year.

The largest decrease in prices was in 'Clothing & Footwear' (-3.5%) and 'Household Goods & Maintenance' (-0.9%). The overall average level of import duties was reduced to 20.0% from 25.0% in the previous year, helping to keep costs low. Further helping to keep inflation low was the small reduction in the cost of imports as proxied by the 0.7% decline in the US export price index.

## Employment

During the year, the Belizean labour force increased by 1.7% to 95,690 persons, of which 90.7% (86,780 persons) were employed. The unemployment rate consequently declined from 11.1% in 2000 to 9.3% in 2001, representing the third consecutive year of improvement. Primary sector activities, namely '**Agriculture, Forestry and Fishing',** continued to account for the largest share (some 27.2%) of the employed population followed by '**Trade, Restaurant and Hotels**' with 23.0%. This development is consistent with the growth areas that have been noted under the GDP by industrial origin. The rise in the labour force participation rate to 60.5% was largely due to a higher proportion of females entering the labour market. Approximately 37.0% of males were employed in **'Agriculture, Forestry and Fishing**' as compared to 6.5% of females. On the other hand, 33.2% of females were employed in the '**Trade, Hotels and Restaurants**' category compared to 11.5% of males.

### Table III.8: Employed Labour Force by Industrial Group

| Industrial Group | 1999 | 2000* | 2001 |
|---|---|---|---|
| Agriculture, Forestry & Fishing | 21,360 | 22,710 | 23,610 |
| Mining and Quarrying | 300 | 300 | 315 |
| Manufacturing | 7,305 | 7,880 | 8,170 |
| Electricity & Water | 1,025 | 1,090 | 1,135 |
| Construction | 4,580 | 4,860 | 5,055 |
| Trade, Restaurant & Hotels | 17,775 | 19,275 | 19,965 |
| Transport | 4,230 | 4,510 | 4,685 |
| Financing & Real Estate | 2,940 | 3,165 | 3,285 |
| Public Administration | 4,925 | 5,300 | 5,500 |
| Education, Health & Other services | 13,095 | 14,335 | 14,815 |
| Activities not classified elsewhere | 220 | 235 | 245 |
| **Total, All Sectors** | 77,755 | 83,660 | 86,780 |

Source: CSO * Figures interpolated as there was no survey in 2000

# Monetary and Financial Developments

### *Money Supply*

Domestic financing for the private sector and Central Government pushed the broad money supply (M2) up by 7.8% to the $1.0 bn threshold during 2001. The strong boost from net domestic credit was somewhat offset by a $47.2mn decline in the net foreign assets of the banking system that was not only linked to the $179.3mn expansion in net domestic credit of the banking system but also to an additional $67.3mn pumped into the hands of the private sector via DFC loans and advances. Also affecting monetary growth was a $65.7mn increase in other items net (OIN) reflecting inflows to DFC in December from its asset repurchase agreement with Royal Merchant Bank that were temporarily deposited in the Central Bank as well as increases in commercial bank capital, reserves and unappropriated profits. Notwithstanding the strong rise in domestic credit, excess statutory liquidity saw only a small decline holding at a level of $121.7mn at year-end. This helped to maintain downward pressure on interest rates while facilitating a further widening of the commercial banks interest rate spread.

Narrow money (M1) continued its upward climb during the year registering a 17.6% increase with currency held by the public and demand deposits expanding by 9.6% and 21.2%, respectively. These developments appeared to be a partial manifestation of domestic imbalances in the foreign exchange market that were exacerbated by Hurricane Iris' impact on the banana industry. Transaction balances were consequently built up due to interim delays in effecting payments abroad. As was the case in the previous two years, demand deposit growth was led by the accelerated rise in holdings by business

**Table IV.1: Factors Responsible for Money Supply Movements**

$mn

| | Position as at | | | Changes During 2001 |
|---|---|---|---|---|
| | Dec 1999 | Dec 2000 | Dec 2001 | |
| **Net Foreign Assets** | **185.0** | **325.8** | **278.6** | **(47.2)** |
| Central Bank | 140.2 | 243.9 | 221.7 | (22.2) |
| Commercial Bank | 44.8 | 81.9 | 56.9 | (25.0) |
| **Net Domestic Credit** | **774.4** | **822.6** | **1,001.9** | **179.3** |
| Central Government (Net) | 117.5 | 42.0 | 126.5 | 84.5 |
| Other Public Sector | 7.5 | 94.5 | 97.0 | 2.5 |
| Private Sector | 649.4 | 686.1 | 778.4 | 92.3 |
| **Central Bank Foreign Liabilities(Long-term)** | **24.6** | **102.0** | **93.5** | **(8.5)** |
| **Other Items (net)** | **94.6** | **80.5** | **146.2** | **65.7** |
| **Money Supply M2** | **840.2** | **965.9** | **1,040.8** | **74.9** |

**Chart IV.1 : Annual Change in Demand, Savings & Time Deposits**

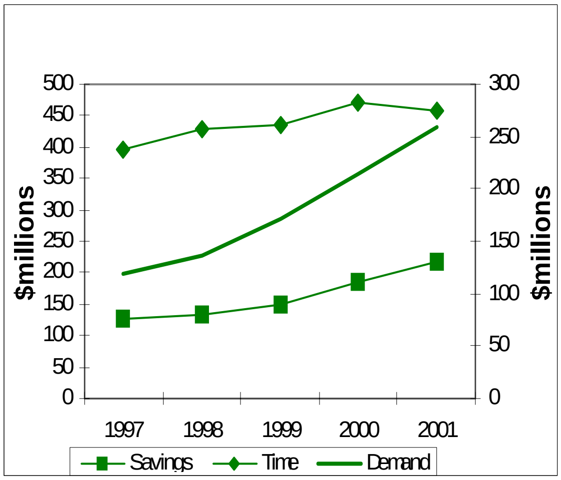
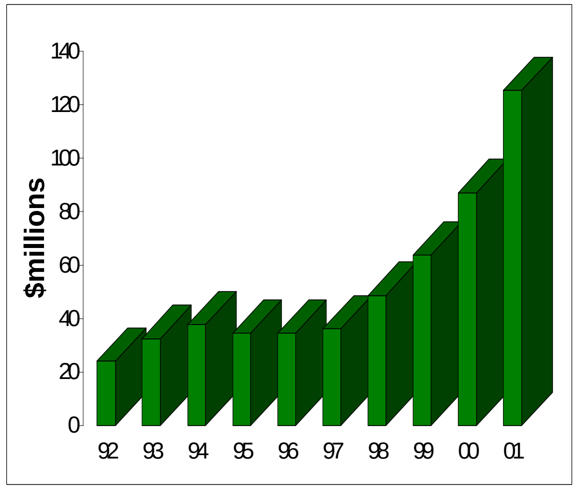



**Chart IV.2 : Demand Deposits Held by Business Enterprises**




enterprises. In 2001, the increase by this category totalled some $38.3mn, or 43.9% which itself followed strong growth of 36.2% in 2000 and 31.0% in 1999. Other demand deposit holdings by individuals and cooperatives & credit unions also rose, though by a significantly lesser extent. In comparison with the rapid growth in M1, quasi-money rose by only 3.1% with a $32.4mn rise in savings deposits being partially offset by a $12.1mn fall in the level of time deposits. Individuals and to a lesser extent, business enterprises, accounted for almost 90% of the expansion in savings deposits. The 2.6% fall in time deposits (the first to be recorded since 1984) was partly the result of high levels of excess liquidity that led some banks to cut back on the relative share of their deposit liabilities made up of the more costly term deposits. New time deposit

**Table IV.2: Money Supply**

$mn

| | Position as at | | | Changes During 2001 |
|---|---|---|---|---|
| | Dec 1999 | Dec 2000 | Dec 2001 | |
| **Money Supply (M2)** | **840.2** | **965.9** | **1,040.8** | **74.9** |
| **Money Supply (M1)** | **255.1** | **310.2** | **364.8** | **54.6** |
| Currency with the Public | 84.2 | 96.0 | 105.2 | 9.2 |
| Demand Deposits | 170.9 | 214.2 | 259.6 | 45.4 |
| **Quasi-Money** | **585.1** | **655.7** | **676.0** | **20.3** |
| Savings Deposits | 150.9 | 184.5 | 216.9 | 32.4 |
| * Time Deposits | 434.2 | 471.2 | 459.1 | (12.1) |

* Includes Non-Residents Foreign Currency Time Deposits of $49.0 mn.

contracts were rejected in some instances and in other cases, certain existing contracts were not renewed. Among the categories recording declines were individuals, cooperatives & credit unions, private financial institutions and DFC while holdings by business enterprises and other organizations, IBC's and religious organizations rose.

***Net Foreign Assets***

A $47.2mn decline was recorded in the net foreign assets of the banking system as higher payments abroad to cover imports and service public and private sector external debt obligations coincided with a reduction in inflows for major exports such as citrus, banana and marine products. Although additional loan and asset 'securitisation' disbursements covered part of the shortfall, the Central Bank and commercial banks consequently experienced declines in net foreign assets of $22.2mn and $25.0mn, respectively.

Central Bank foreign asset holdings contracted by $21.0mn with foreign exchange purchases totalling $408.5mn while outflows amounted to $429.6mn. Loan disbursements and receipts from DFC's asset repurchase agreement with RMB provided approximately $269.8mn (66.1%) of total inflows with BSI and privatization proceeds from the sale of BWSL (formerly WASA) contributing another $59.0mn (14.4%) and $49.6mn ($12.1%), respectively. The remainder was made up largely of grants, proceeds from the economic citizenship programme and investment earnings. Sales to the public sector to facilitate debt servicing and other payments abroad totalled $238.0mn, some $42.0mn higher than that of the previous year. Commercial banks received $152.8mn to facilitate payments for imports, which, although lower than in 2000, exceeded average levels in recent years. Other increases

**Table IV.3: Net Foreign Assets of the Banking System**

$mn

| | Position as at | | | Changes During 2001 |
|---|---|---|---|---|
| | Dec 1999 | Dec 2000 | Dec 2001 | |
| **Net Foreign Assets of Banking System** | **185.0** | **325.8** | **278.6** | **(47.2)** |
| **Net Foreign Assets of Central Bank** | **140.2** | **243.9** | **221.7** | **(22.2)** |
| Central Bank Foreign Assets | 142.3 | 245.6 | 224.6 | (21.0) |
| * Central Bank Foreign Liabilities (Demand) | 2.1 | 1.7 | 2.9 | 1.2 |
| **Net Foreign Assets of Commercial Banks** | **44.8** | **81.9** | **56.9** | **(25.0)** |
| Commercial Bank Foreign Assets | 86.3 | 138.7 | 133.7 | (5.0) |
| # Commercial Bank Foreign Liabilities | 41.5 | 56.8 | 76.8 | 20.0 |

* Does not include Central Bank's Long-term Foreign Liabilities of $93.5mn.

# Does not include Non-Residents Foreign Currency Time Deposits of $49.0mn held w ith Commercial Banks.

in outflows were linked to BEL loan payments as well as to relatively higher bilateral payments and revaluation losses sustained during the year. Short-term foreign liabilities rose by $1.2mn reflecting increases in the CDB ordinary capital resources account as well as in the CARICOM bilateral clearings balance.

The commercial banks reported a $5.0mn decline in foreign asset holdings as private sector demand for foreign exchange to facilitate a variety of imported goods and services, debt servicing and other miscellaneous transactions outstripped foreign exchange inflows received by the banks over the year. Whereas foreign currency deposits derived from IBC's had contributed $25.6mn to the expansion in commercial bank foreign asset holdings in 2000, additional inflows from this source fell to some $3.7mn in 2001. At the same time, short-term foreign liabilities rose by $20.0mn as additional borrowings from head offices and other financial institutions abroad were undertaken to meet some of the requirements of clients resident in Belize.

***Net Domestic Credit***

A 21.8% increase in net domestic credit of the banking system occurred as loans to the private sector gained momentum and a substantial increase in domestic financing of Central Government's capital budget was undertaken during the year. Private sector entities also benefited from an additional 33.8% rise in DFC lending. Loans to statutory bodies rose by $2.5mn, down from the $87.0mn expansion in loans for this category in 2000.

Following its $75.5mn decline in 2000, net domestic credit to Central Government rose by $84.5mn (201.2%). The expansion took the form of deposit withdrawals from the Central Bank and commercial banks totalling $68.3mn plus a $20.5mn increase in the overdraft balance held with the Central Bank. During the same period, the overdraft balance held with commercial banks was completely cleared as a result of repayments of some $1.0mn. Secondary trading in

**Table IV.4: Net Domestic Credit - Summary**

$mn

| | Position as at | | | Changes During |
|---|---|---|---|---|
| | Dec 1999 | Dec 2000 | Dec 2001 | 2001 |
| **Total Credit to Central Government** | **147.9** | **149.9** | **166.1** | **16.2** |
| From Central Bank | 67.8 | 62.7 | 78.2 | 15.5 |
| From Commercial Banks | 80.1 | 87.2 | 87.9 | 0.7 |
| Less Central Government Deposits | 30.4 | 107.9 | 39.6 | (68.3) |
| **Net Credit to Central Government** | **117.5** | **42.0** | **126.5** | **84.5** |
| **Plus Credit to Other Public Sector** | **7.5** | **94.5** | **97.0** | **2.5** |
| **Plus Credit to the Private Sector** | **649.4** | **686.1** | **778.4** | **92.3** |
| **Net Domestic Credit of the Banking System** | **774.4** | **822.6** | **1,001.9** | **179.3** |

Treasury Bills saw Central Bank holdings falling by $5.0mn while commercial banks and insurance companies increased their share by $1.7mn and $3.3mn, respectively.

The rest of the public sector received an additional $2.7mn led by DFC and local government entities with $3.2mn and $1.0mn, respectively. Other statutory bodies including the Marketing Board, Recondev, the Port Authority among others were able to reduce their outstanding loan balances over the period reviewed.

Private sector credit also accelerated, achieving overall growth of 13.5% as compared to the 5.7% increase recorded in 2000. The expansion followed a sluggish start in the first quarter during which loans had declined by 1.1%. Building and construction attracted the most attention with financing for various construction projects rising by $24.4mn in addition to the $13.5mn that was advanced by DFC for this purpose. Over 60.0% of commercial bank loans for construction were for residential housing projects, the balance being shared between commercial and other types of construction. In the tertiary sector, tourism received an additional $18.2mn. This substantial increase followed two successive years in which loan balances for this sub-sector had fallen. Professional services and transport (particularly road haulage and passenger services) were also primary areas of focus receiving $7.9mn and $7.2mn, respectively. The latter also benefited from additional investment of some $30.2mn through loans from DFC. In other notable developments, the impact

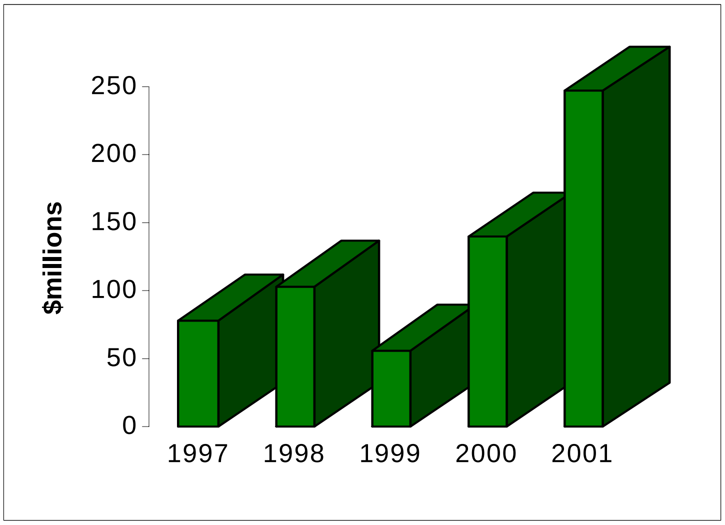
**Table IV.5: Sectoral Composition of Commercial Banks' Loans and Advances**

$mn

| | Position as at | | | Changes During 2001 |
|---|---|---|---|---|
| | Dec 1999 | Dec 2000 | Dec 2001 | |
| **PRIMARY SECTOR** | **68.1** | **77.3** | **96.2** | **18.9** |
| Agriculture | 55.6 | 65.5 | 73.8 | 8.3 |
| Commercial Fishing | 10.9 | 10.1 | 16.4 | 6.3 |
| Forestry | 0.8 | 0.8 | 1.3 | 0.5 |
| Mining & Exploration | 0.8 | 0.9 | 4.7 | 3.8 |
| **SECONDARY SECTOR** | **190.3** | **198.3** | **226.5** | **28.2** |
| Manufacturing | 44.4 | 44.5 | 44.3 | (0.2) |
| Building & Construction | 142.5 | 153.3 | 177.7 | 24.4 |
| Private Utilities | 3.4 | 0.5 | 4.5 | 4.0 |
| **TERTIARY SECTOR** | **226.2** | **252.3** | **292.8** | **40.5** |
| Transport | 28.6 | 32.9 | 40.1 | 7.2 |
| Tourism | 31.9 | 25.8 | 44.0 | 18.2 |
| Distribution | 117.3 | 133.0 | 136.3 | 3.3 |
| Other* | 48.4 | 60.6 | 72.4 | 11.8 |
| **Personal Loans** | **170.3** | **167.5** | **173.0** | **5.5** |
| **TOTAL** | **654.9** | **695.4** | **788.5** | **93.1** |

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

Chart IV.3 : Annual Change in Net Domestic Credit (Banking System & DFC)




of Hurricane Iris on the southern part of the country helped to push loans to banana growers up by $10.2mn. Net loan increases were also recorded for the commercial fishing and mining sub-sectors, which along with banana accounted for almost the entire $18.9mn rise in loans for the primary sector over the year.

***Liquidity***

Even with a $10.0mn decline from the position at the end of 2000, conditions in the banking system continued to be marked by high levels of excess statutory liquidity throughout 2001. A new peak of $185.4mn developed at the end of March as

Chart IV.4 : Sectoral Distribution of Outstanding Commercial Bank and DFC Loans

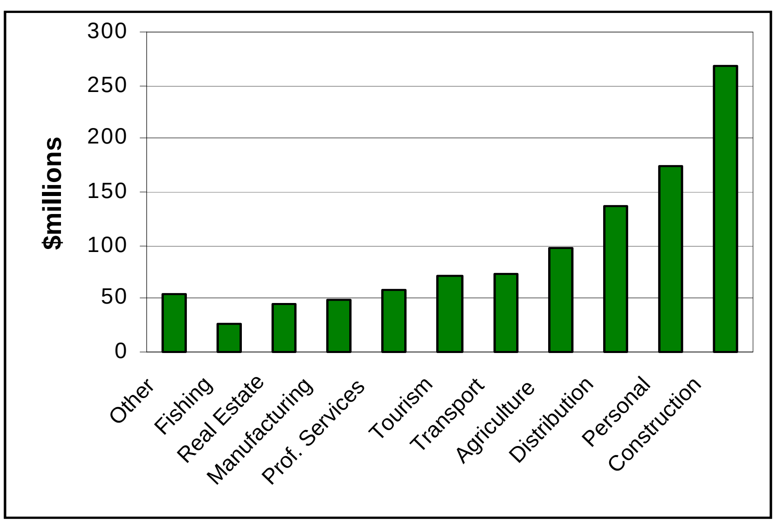


**Chart IV.5 : Excess Liquid Assets**

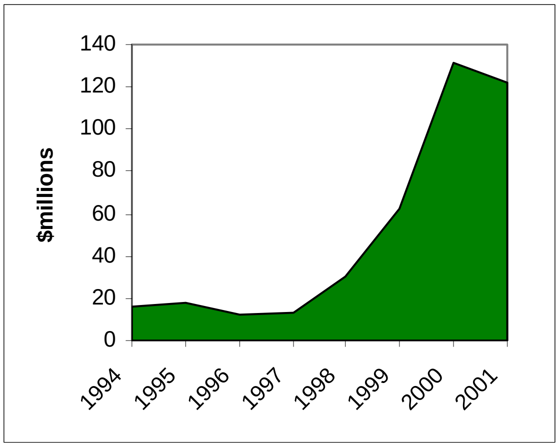
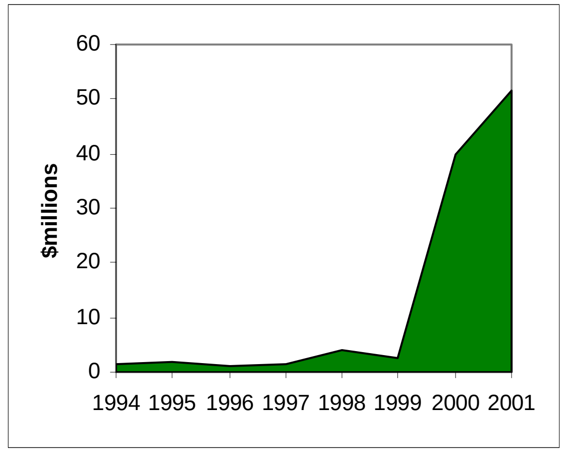



**Chart IV.6 : Excess Cash Reserves**




additional funds were injected into the system through DFC loans to the private sector of funds received from abroad. Substantial increases in credit to the private sector, particularly during the second and third quarters, caused some tightening to occur over the April to December period. By the end of the year, excess statutory liquidity stood at $121.7mn with commercial bank holdings of approved liquid assets rising by $5.7mn relative to a $15.7mn increase in the level of required holdings. Among notable portfolio changes were increases in balances held with the Central Bank and holdings of other approved liquid assets (i.e. new housing loans) of $16.2mn and $13.5mn, respectively. On the other hand, sustained pressure derived from the imbalance in private sector transactions with entities abroad helped to push holdings of short-term foreign balances downward by $24.0mn.

With the marked growth of demand deposits in 2000 continuing in 2001, primary liquidity maintained an upward trend adding $11.7mn to the substantial increase of $37.3mn recorded in the previous year. This brought total excess cash reserves to an historic high of $51.5mn as commercial bank daily average holdings of cash reserves and required

**Chart IV.7 : Quarterly Change in Excess Liquidity**

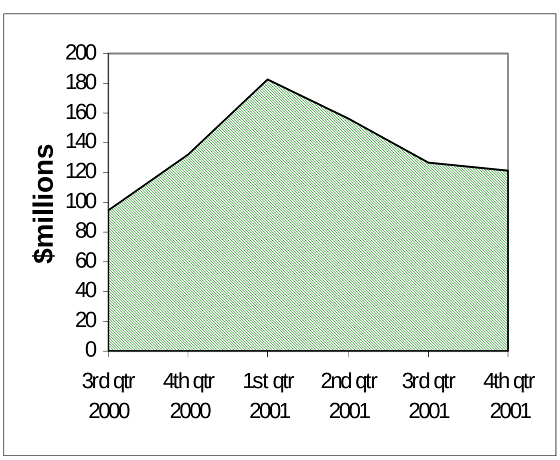



**Chart IV.8 : Quarterly Change in Excess Cash Reserves**

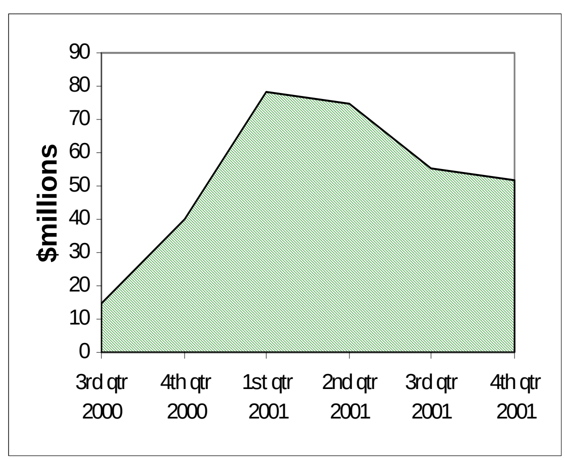


**Table IV. 6 : Commercial Banks' Holdings of Approved Liquid Assets**

$mn

| | Position as at | | | Changes During |
|---|---|---|---|---|
| | Dec 1999 | Dec 2000 | Dec 2001 | 2001 |
| **Holdings of Approved Liquid Assets** | **252.9** | **348.5** | **354.2** | **5.7** |
| Vault Cash | 19.5 | 18.2 | 18.7 | 0.5 |
| Balances with Central Bank | 42.3 | 71.0 | 87.2 | 16.2 |
| Money at Call and Foreign Balances (due within 90 days) | 85.2 | 125.3 | 101.3 | -24.0 |
| Treasury Bills maturing in not more than 90 days | 53.5 | 65.1 | 64.6 | -0.5 |
| Treasury Notes | 23.3 | 23.3 | 23.3 | 0.0 |
| Other Approved assets | 29.1 | 45.6 | 59.1 | 13.5 |
| **Required Liquid Assets** | **190.0** | **216.8** | **232.5** | **15.7** |
| **Excess/(Deficiency) Liquid Assets** | **62.9** | **131.7** | **121.7** | **-10.0** |
| Daily Average holdings of Cash Reserves | 42.1 | 72.2 | 86.6 | 14.4 |
| Required Cash Reserves | 39.6 | 32.4 | 35.1 | 2.7 |
| **Excess/(Deficiency) Cash Reserves** | **2.5** | **39.8** | **51.5** | **11.7** |

cash reserves increased by $14.4mn and $2.7mn, respectively. This was in sharp contrast to the normal practice of the banks whereby excess cash reserves have generally been held to minimum levels as demonstrated by the fact that average holdings of excess cash reserves totalled approximately $2.1mn over the six years leading up to 2000.

***Interest Rates***

Meanwhile, the interest rate spread of the commercial banks increased further by 30 basis points to 11.1% as excessively liquid conditions paved the way for comparatively greater downward pressure to be exerted on time deposit rates. Flushed with liquidity, several commercial banks refused new time deposits, which helped to pressure the weighted average time deposit rate down by a full 1.1% over the year. This contributed to a 70 basis points fall in the weighted average deposit rate to 4.3%, the lowest ever recorded. Declines were also recorded in lending rates with the weighted average lending rate calculated on the total loan portfolio of the banks down by 40 basis points to 15.4% reflecting downward movement in rates applied on commercial, mortgage and other loans. On the other hand, there was a clearly discernable upward trend where the rate applied to new loans were concerned. Whereas in 2000 the trend for such loans was clearly downward, this changed in 2001 as, after bottoming at 14.56% in March, loan rates began to climb back up ending the year at 17.21%. The upward movement was most pronounced for commercial loans, which ended 2001 some 93 basis points higher than it was in December 2000. Although ending the year approximately 26 and 50 basis points lower, respectively, personal and mortgage backed loans were generally trending upward after reaching lows in April and September.

**Table IV.7: Commercial Banks' Weighted Average Interest Rates**

Percentages

| | Position as at | | | Changes During 2001 |
|---|---|---|---|---|
| | Dec 1999 | Dec 2000 | Dec 2001 | |
| **Weighted Lending Rates** | | | | |
| Personal Loans | 16.9 | 16.5 | 16.8 | 0.3 |
| Commercial Loans | 16.2 | 15.5 | 14.8 | (0.7) |
| Mortgage Loans | 15.3 | 14.7 | 14.0 | (0.7) |
| Other | 14.2 | 14.5 | 12.6 | (1.9) |
| **Weighted Average** | **16.2** | **15.8** | **15.4** | **(0.4)** |
| **Weighted Deposit Rates** | | | | |
| Demand | 0.0 | 0.0 | 0.2 | 0.2 |
| Savings | 5.3 | 5.4 | 5.4 | 0.0 |
| Time | 8.0 | 7.2 | 6.1 | (1.1) |
| **Weighted Average** | **5.7** | **5.0** | **4.3** | **(0.7)** |
| **Weighted Average Spread** | **10.5** | **10.8** | **11.1** | **0.3** |

**Chart IV.9 : Monthly Supplemental Loan Rates (2000 & 2001)**

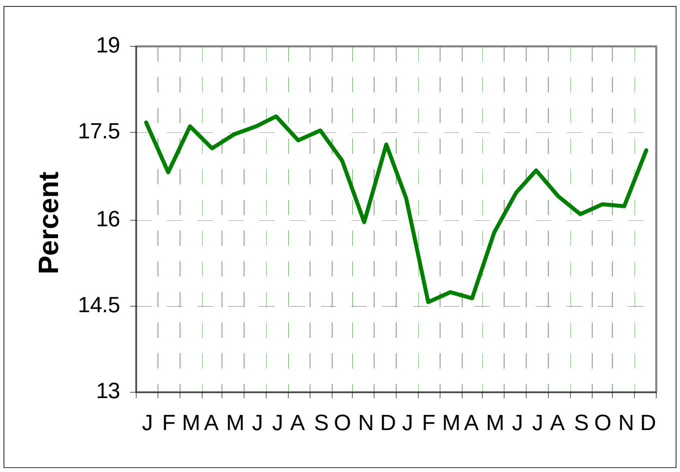
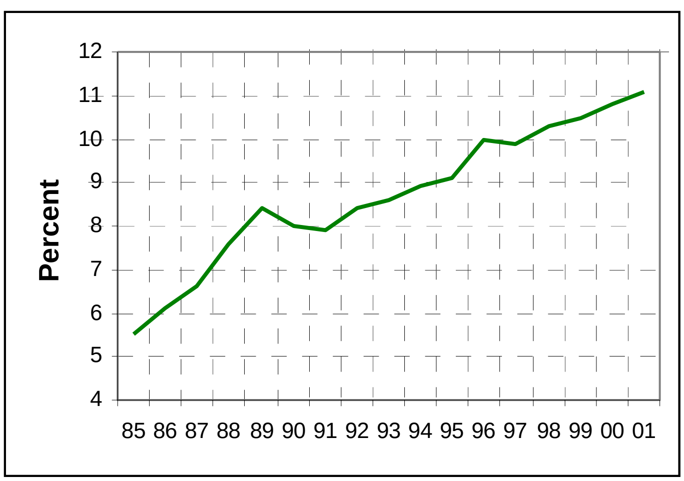



**Chart IV.10 : Commercial Banks' Weighted Average Interest Rate Spread**



# Central Government Operations and Public Debt

## *Central Government Operations*

During 2001, Central Government's fiscal operations generated a current account surplus of $30.8mn, representing a decline to 1.9% of GDP, as compared to 2.7% in 2000. The overall deficit fell by $9.6mn to $130.3mn leading to a decline in the deficit to GDP ratio from 9.0% in 2000 to 8.1% in 2001.

Current revenue registered a 4.1% increase to $364.3mn as a $35.7mn upswing in tax revenue overshadowed a $21.2mn decline in non-tax revenue. The expansion in the former reflected increased collections from international trade & transactions ($24.1mn), tax receipts from goods & services ($7.5mn) and income tax ($3.5mn). The fall in non-tax revenue was primarily due to a decline in transfers from public enterprises and lower dividends from privatized enterprises.

A substantial 50.0% increase was recorded in capital revenue (from $49.2mn to $73.8mn) due to the sale of BWSL in April and the implementation of an indexed environmental levy. Grant receipts, on the other hand, contracted by approximately 25.0%

At $333.5mn, current expenditure was 8.1% higher on a year on year basis since, except for outlays on goods and services that declined by $5.9mn to $66.8mn, all major categories of current outlays

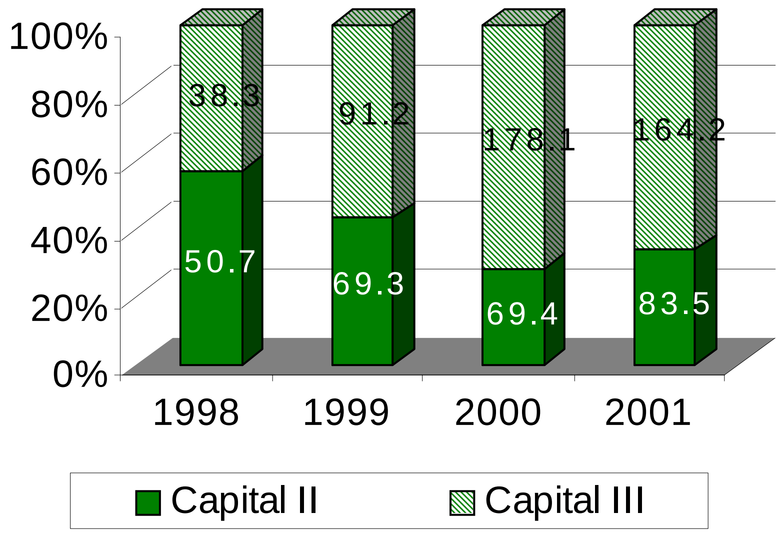
**Table V.1: Government of Belize-Revenue and Expenditure**

$mn

| | Jan-Dec 1999 | Jan-Dec 2000 | Jan-Dec 2001 | Change during 2001 |
|---|---|---|---|---|
| Current Revenue | 327.0 | 349.8 | 364.3 | 14.5 |
| Tax Revenue | 266.5 | 286.6 | 322.3 | 35.7 |
| Non-Tax Revenue | 60.5 | 63.2 | 42.0 | (21.2) |
| Current Expenditure | 278.8 | 308.4 | 333.5 | 25.1 |
| **CURRENT BALANCE** | **48.2** | **41.4** | **30.8** | **(10.7)** |
| Capital Revenue | 71.5 | 49.2 | 73.8 | 24.7 |
| Capital Expenditure (Capital II local sources) | 69.3 | 69.4 | 83.5 | 14.1 |
| **OPERATING SURPLUS** | **50.4** | **21.2** | **21.1** | **(0.1)** |
| Total Grants | 16.5 | 17.0 | 12.8 | (4.2) |
| (of which non-project) | 10.0 | - | - | - |
| Total Revenue and Grants | 415.0 | 416.0 | 450.9 | 34.9 |
| Total Capital Expenditure | 165.3 | 247.5 | 247.7 | 0.2 |
| of which Hurricane Reconstruction | - | 20.3 | 21.3 | 1.0 |
| Total Expenditure | 444.1 | 555.8 | 581.1 | 25.3 |
| **OVERALL BALANCE** | **(29.1)** | **(139.9)** | **(130.3)** | **9.6** |
| balance excluding Hurricane ERF | (29.1) | (119.6) | (109.0) | 10.6 |
| FINANCING | 29.1 | 139.9 | 130.3 | (9.6) |
| Domestic Financing | (4.2) | (74.0) | 58.5 | 132.4 |
| Financing Abroad | 38.5 | 213.5 | 72.1 | (141.4) |
| Other | (5.2) | 0.3 | (0.2) | (0.6) |
| **Ratio of Overall Balance to GDP (%)** | **(2.1)** | **(9.0)** | **(8.1)** | **0.9** |

Sources: Central Bank of Belize; Ministry of Finance

Chart V.1: Central Government's Development Expenditure




increased. The most notable growth was in interest payments on the public debt, which rose by $17.3mn to $53.7mn.

While capital expenditure remained steady at approximately $247.6mn, Capital II (domestically financed) budget grew by $14.1mn to $83.5mn and Capital III (externally financed) expenditure declined by 7.8% to $164.2mn. These outlays were allocated for development expenditures, as the transactions with the DFC were treated as deposits.

The significant outlays under Capital II went on projects such as land development & acquisitions ($6.5mn), infrastructure ($3.6mn), counterpart funding for the southern highway ($3.1mn), towns & village roads ($3.0mn), and roads & municipal drainage ($2.8mn). The balance covered a multiplicity of small projects ranging from the Social Investment Fund (SIF) to tertiary level scholarships.

Meanwhile, Capital III expenditure was used to fund a wide cross-section of small projects plus rehabilitation works on the Southern Highway ($9.6mn), Ministry of Environment's Vocational & Technical sector ($5.5mn), community planning & projects ($5.1mn), housing projects ($4.7mn), municipal roads and drainage ($4.2mn), product development & marketing ($2.7mn), and promissory notes ($2.3mn). Also of note is the sum of $53.9mn (3.3% of GDP) that was allocated for emergency reconstruction works following Hurricane Iris.

The overall deficit of $130.3mn was financed from both domestic and external sources. The latter amounted to $72.1mn, as loan disbursements of $140.4mn outweighed amortization payments of $54.3mn and deposits into a sinking fund ($14.0mn). Net financing from the domestic system rose to $58.5mn with $75.9mn being sourced from the Central Bank. Other domestic financing of negative $26.3mn reflected Central Government's deposits with the DFC.

## Central Government's Domestic Debt

Central Government's domestic debt rose by $35.3mn to $211.3mn during the year, resulting in a domestic debt to GDP ratio of 13.1% as compared to 11.4% in 2000. The increase was attributable to the combination of a $17.2mn GOB/US debt for nature swap plus a $19.5mn net rise in overdraft financing, which outweighed amortization payments of $1.4mn. Under the Debt for Nature Swap agreement, debt service payments on the outstanding balance of $17.6mn will be made in Belize dollars into a deposit account to be subsequently used by Belizean NGO's for the conservation/preservation of tropical rain forests in Southern Belize. Amortization payments totalling $1.0mn were made to commercial banks to clear overdraft balances that had been built up partly to facilitate the purchase of land in Ambergris Caye. On the other hand, financing derived from the overdraft with the Central Bank increased by $20.5mn (45.6%) to $65.5mn.

Other principal repayments were to the Belize Bank Limited on a loan that had been incurred by Recondev for the Cohune Walk Housing Project and to the DFC for the debt-restructuring loan arranged in the previous year.

In secondary trading, the Central Bank sold $5.0mn in Treasury Bills including $1.7mn to the commercial banks and $3.3mn to other organizations and individuals.

Interest payments totalled $16.2mn, with approximately $6.4mn consisting of charges associated with the overdraft balance. Interest payments on Treasury Bills and Treasury Notes (most of which were held by commercial banks) amounted to $5.3mn and $2.2mn, respectively. Holders of Defence Bonds received $1.3mn and the DFC earned $0.7mn on its debt-restructuring loan to the Government. The Belize Bank and the BSSB also received interest payments with respect to housing loans from the latter to Recondev, and for financing to facilitate land purchase and housing loans from the former.

**Chart V.2: Sources of Central Government's Domestic Debt**

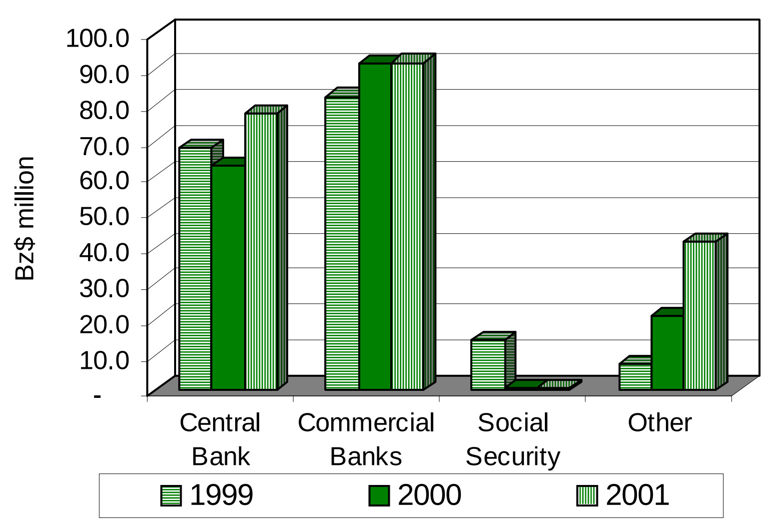


**Table V.2: Central Government's Domestic Debt**

$mn

| Instrument | 1999 | 2000 | 2001 |
|---|---|---|---|
| Loans & Advances | 56.3 | 60.8 | 96.1 |
| Treasury Bills | 70.0 | 70.0 | 70.0 |
| Treasury Notes | 24.0 | 24.0 | 24.0 |
| Defence Bonds | 15.0 | 15.0 | 15.0 |
| Debentures | 6.2 | 6.2 | 6.2 |
| **Total** | **171.5** | **176.0** | **211.3** |

Sources: Ministry of Finance, Central Bank of Belize

## *External Public Debt*

The public sector's disbursed outstanding external debt rose by approximately $102.6mn to $950.0mn raising the debt to GDP ratio from 54.8% in 2000 to 59.0% in 2001. Central Government's share of the debt stood at $675.3mn or 71.1% of the total. On the other hand, the share for the non-financial public sector fell marginally from 4.7% to 4.2% following the privatization of BWSL. The share of the debt due to the financial public sector went from 21.7% to 24.7% due to increased loan disbursements to the DFC. While the share of the debt from commercial banks increased from 44.6% to 49.0%, the percentage from multilateral sources remained steady at approximately 26%. The share of the debt from other sources contracted with the obligations from bilateral sources and commercial suppliers falling from 25.0% to 21.5% and 4.1% to 3.5%, respectively.

Disbursements totalled $219.9mn as compared to amortization payments of $70.3mn, negative valuation adjustments of $1.3mn and the external debt reduction of $17.2mn arising from the "debt for nature swap". Principal and interest payments amounted to $130.4mn, pushing the debt service ratio up from 9.6% to 14.7%.

Approximately 63.8% of total disbursements went to Central Government during the year. This included $63.6mn from commercial creditors such as the International Bank of Miami (IBofM), which provided $54.3mn to fund various investments in the country. Another $50.8mn came from multilateral creditors including $36.6mn from the IDB that was designated for projects such as Southern Highway construction, tourism development, hurricane rehabilitation among others. The $26.0mn balance came from bilateral creditors, principally, the Republic of China (Taiwan), which provided $24.9mn mainly for housing projects.

**Table V.3: Financial Flows on Public Sector External Debt**

$mn

| | 1999 | 2000 | 2001 |
|---|---|---|---|
| Disbursements | 91.1 | 409.5 | 219.9 |
| Repayments | 38.6 | 69.4 | 70.3 |
| Net Financing Flows | 52.7 | 340.1 | 149.6 |
| Interest Payments | 28.9 | 39.1 | 60.1 |
| Net Transfers | 23.8 | 301.1 | 89.5 |

Disbursements to the financial public sector consisted entirely of loans to DFC from the International Bank of Miami ($40.0mn), Deutsche Bank of Germany for the La Democracia project ($11.5mn), CommerzBank ($8.0mn) for the soya bean project, and CDB ($3.2mn). Disbursements to the non-financial public sector went to the Port Authority, as the KBC Bank advanced some $16.7mn for dredging works.

Among the $11.3mn in amortization payments made by the financial public sector during the year was some $8.5mn to commercial creditors, $2.4mn to multilateral agents and $0.4mn to bilateral agents. Amortization payments by the non-financial public sector more than doubled to $4.7mn, of which, $2.7mn went to commercial banks, $1.3mn to multilateral creditors and the remaining $0.7mn to bilateral creditors.

At $54.3mn, Central Government amortization payments were marginally below that of the previous year. Approximately $33.6mn went to commercial creditors, the largest of these payments being $10.3mn to the International Bank of Miami and $6.1mn to the Royal Merchant Bank. Meanwhile, payments on bilateral loans amounted to $14.6mn including $5.7mn to Taiwan, $4.2mn to the UK Government and $2.3mn to the Government of the United States. Multilateral agencies such as IBRD, CDB and the OPEC Fund received a combined total of $6.2mn.

Interest and other payments experienced a sharp increase growing from $39.1mn in 2000 to $60.1mn in 2001. Central Government accounted for approximately 70.0% ($42.1mn) of these outflows with sizeable payments to commercial creditors such as the Royal Merchant Bank ($11.2mn), Salomon Smith Barney ($5.4mn), Citibank of Trinidad ($2.4mn), Provident Bank and Citicorp Merchant Bank ($2.0mn each). Other Central Government payments to multilateral and bilateral creditors totalled $7.9mn and $7.6mn, respectively. Interest payments by the financial public sector amounted to $15.8mn almost 84% being in respect of

**Table V.4: Public Sector External Debt by Source**

$mn

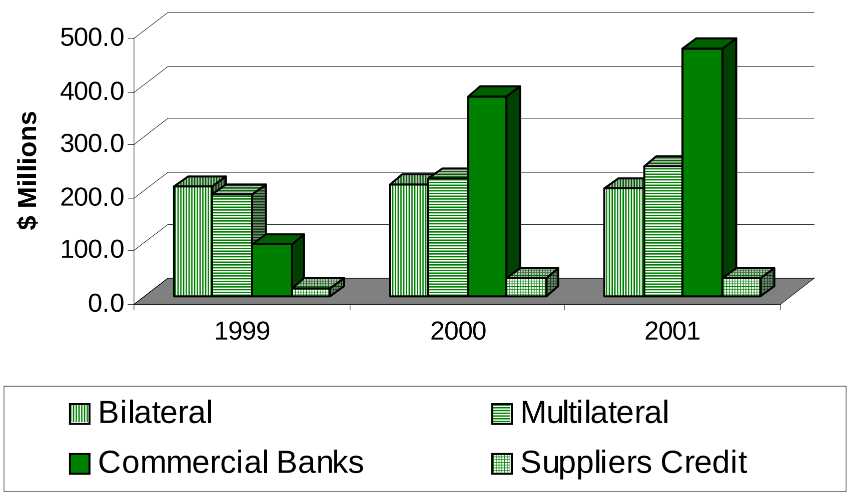
| Creditor | Disbursed Outstanding Debt 31/12/2000 | Transactions During 2001: Disbursement | Amortization | Interest & Other Charges | Valuation Adjustments | Disbursed Outstanding Debt 31/12/2001 |
|---|---|---|---|---|---|---|
| Bilateral* | 212.1 | 26.1 | 15.7 | 8.1 | (0.5) | 204.3 |
| Multilateral | 222.7 | 54.0 | 9.7 | 10.7 | (0.5) | 246.1 |
| Commercial Banks** | 378.1 | 132.9 | 36.3 | 38.4 | (0.3) | 465.9 |
| Suppliers Credit | 34.5 | 6.9 | 8.7 | 2.9 | - | 33.7 |
| **Total** | **847.4** | **219.9** | **70.3** | **60.1** | **(1.3)** | **950.0** |

*USAID Debt for Nature Swap Agreement as at 2 August 2001was implememted on 30 November 2001, for $17.2mn.
**Effective 31st March 2001, WASA loans were re-classified as private sector debt as a result of its full privatization.

commercial loans from the International Bank of Miami and Citibank Trinidad & Tobago. Multilateral and bilateral lenders received $2.4mn and $0.1mn, respectively. Non-financial public sector interest payments went largely to commercial creditors that received $1.5mn while the remainder was shared evenly between bilateral and multilateral creditors.

Depreciation of the Euro and pound sterling against the US dollar led to negative valuation adjustments of $1.3mn during the year with the outstanding value of sterling and Euro denominated loans declining by $0.5mn and $0.8mn, respectively.

**Chart V.3: Sources of Public Sector External Debt**



# Foreign Trade and Payments

Financial transactions between residents of Belize and the rest of the world resulted in net outflows of $21.0mn during 2001. Gross international reserves consequently declined from $245.6mn to $224.6mn.

The current account in the balance of payments deteriorated with the deficit widening by 11.8% to $339.0mn (21.1% of GDP). Contractions occurred in both imports and exports, but the more severe decline was in exports, which led to a widening of the visible trade imbalance. In addition, foreign exchange inflows from services ($77.0mn) and current transfers ($97.1mn) were overshadowed by increased outflows for merchandise trade ($382.9mn) and factor income payments ($130.2mn), the growth in the latter being attributed primarily to increased interest payments on loans and bonds. The current account deficit was financed by financial inflows (arising principally from loans, direct foreign investment and DFC's repurchase agreement with RMB for lands and housing) and the draw down of international reserves.

## *Merchandise Trade*

International trade contracted as import demand cooled somewhat and exports fared poorly in the face of exogenous shocks. With a steeper reduction in export activity relative to imports, the visible trade deficit grew by $36.5mn to $382.9mn.

The value of total exports fell by 6.7% to $538.2mn, of which $205.5mn was from the Commercial Free Zone (CFZ) and $332.7mn was from the customs territory of Belize. Since CFZ sales volume increased by $10.7mn, the decline in exports was principally due to domestic exports from the customs territory.

**Table VI.1: Balance of Payments - Summary and Financing Flows**

$mn

| | 1999<br>Net | 2000<br>Net | 2001<br>Net |
|---|---|---|---|
| **CURRENT ACCOUNT** | **(146.2)** | **(303.2)** | **(339.0)** |
| Visible Trade | (205.1) | (346.4) | (382.9) |
| Invisible Trade | (17.8) | (74.2) | (53.2) |
| Services | 65.6 | 34.7 | 77.0 |
| Factor Income | (83.4) | (109.0) | (130.2) |
| Current Transfers | 76.5 | 117.4 | 97.1 |
| **CAPITAL ACCOUNT** | **5.5** | **3.1** | **1.8** |
| **FINANCIAL ACCOUNT** | **192.7** | **408.4** | **287.3** |
| NET ERRORS & OMMISSIONS | 2.5 | (4.9) | 28.9 |
| OVERALL BALANCE | 54.5 | 103.3 | (21.0) |
| FINANCING | (54.5) | (103.3) | 21.0 |
| **Memo Items** | | | |
| **Import cover in months** | **2.3** | **3.3** | **3.0** |
| **Current Account/GDP Ratio (%)** | **(10.6)** | **(19.6)** | **(21.1)** |

Imports of goods fell by $2.1mn to $921.1mn, of which approximately 16.8% was destined for bulk re-exports and retail sales in the CFZ. The import value remained relatively stable since a rise in CFZ imports was counterbalanced by contractions in capital imports for the domestic market. The latter had been higher in the previous year because of the one-time importation of major investment goods for expansion of industrial capacity.

## Domestic Exports

Severe weather in successive years, shrinking market share and plummeting prices for major commodities dealt the export sector a series of shocks that caused the value of domestic exports to contract sharply by $78.0mn to $322.0mn in 2001. The traditional export sector absorbed the full brunt of these debilitating factors, registering a $75.8mn contraction to $295.3mn over the year. Non-traditional exports declined by $2.2mn to $26.7mn.

Hurricane damage to sugarcane fields coupled with inadequate levels of agricultural inputs by highly indebted farmers led to reduced crop yields and lower sugar production and export volumes. Revenues consequently declined. Hurricane damage also resulted in some twelve weeks of banana export shipments being lost as well as a decline in revenues from lobster and other marine exports due to the destruction of traps and disturbance to fishing grounds. In addition, the value of export shipments of citrus juices decreased since more concentrate and less NFC juices were shipped into inventory abroad. In sole contrast to all other major exports, the export value of molasses increased as prices rose in conjunction with higher prices of grain substitutes.

**Table VI.2: Domestic Exports**

$mn

| | 1999 | 2000 | 2001 |
|---|---|---|---|
| Traditional Exports | 316.7 | 371.1 | 295.3 |
| Sugar | 86.6 | 74.2 | 59.4 |
| Citrus Products* | 73.8 | 118.7 | 95.1 |
| *Citrus Concentrate* | 54.9 | 94.5 | 88.6 |
| *Not-from-Concentrate* | 18.9 | 24.2 | 6.5 |
| Molasses | 0.4 | 0.3 | 1.6 |
| Bananas | 56.8 | 65.8 | 42.8 |
| Marine** | 55.6 | 67.6 | 63.7 |
| Garments | 39.3 | 39.8 | 30.4 |
| Sawn Wood | 4.2 | 4.7 | 2.3 |
| Non-traditional Exports | 22.5 | 28.9 | 26.7 |
| Total | 339.2 | 400.0 | 322.0 |

Source: Central Statistical Office
* Value of export shipment and not sales.
** Reflects the value of export shipments of shrimps and not sales.

### Box 4 : Economic Impact of Natural Disasters

Belize has recently suffered from three natural disasters within a one-year period that caused damages of almost one billion dollars to property, infrastructure, various economic sectors and the environment. While Hurricane Keith (October 2000) and Tropical Storm Chantal (August 2001) affected the northern parts of the country, Hurricane Iris (October 2001) devastated the southern region of the country with strong winds, tidal/wave surges, and severe flooding.

As a result of the damages sustained by housing, health, agriculture, utilities, transport and other infrastructure, existing stocks of finished goods and inventories were destroyed, and the country's ability to generate goods and services for both domestic use and exports, suffered serious setbacks.

Hurricane Keith, and to a lesser extent Tropical Storm Chantal, caused destruction to tourism sites on the offshore cayes, especially San Pedro, and triggered much flooding of agricultural lands in the Corozal and Orange Walk Districts as well as in the Belize River Valley of the Belize District. The devastation brought on by Hurricane Iris was to the southern Stann Creek District and the northern and central portions of the Toledo District where tourism sites as well as banana and citrus plantations were destroyed.

With the damages caused by Hurricane Keith and Hurricane Iris amounting to 33.8% and 18.9% of GDP, respectively, it is clear that the country has been overwhelmed by the cumulative effect of these natural disasters. It must also be noted that Hurricane Mitch of October 1998 and the terrorist attack in the US on September 11, 2001 have also had negative contributions and have heightened the economic challenges facing Belize.

**Table VI.3: Natural Disasters, 2000-2001**

| Date | Oct-00 | Aug-01 | Oct-01 |
|---|---|---|---|
| Hurricane / Tropical Storm | Keith | Chantal | Iris |
| Category on Saffir-Simpson Scale | 4 | - | 4 |
| Area of Belize affected | North | North | South |
| Number of Persons affected | 38,208 | 7,000 | 19,880 |
| Ratio of persons affected to total population (%) | 15.3 | 2.7 | 7.7 |
| Total cost of damage (Bz$ million) | 521.9 | 31.4 | 304.4 |
| Ratio of total damage to GDP (%) | 33.8 | 2.0 | 18.9 |

Source: NEMO

### *Sugar and Molasses*

Pressure on the sugar industry increased as a result of destructive weather and declining prices in both preferential and world markets. The processor reported financial losses for the second consecutive year while farmers continued to struggle under high debt burdens. The result was a decline in processing volume and sugar production.

With production down, sugar exports fell to 89,538 long tons valued at $59.4mn, decreases of 16.8% and 19.9% in volume and value, respectively, when compared to the previous year. The corresponding fall in export value was steeper because of a decline in the average price received from the EU.

**Table VI.4: Exports of Sugar and Molasses**

($mn)

| | 1999 | | 2000 | | 2001 | |
|---|---|---|---|---|---|---|
| | Volume | Value | Volume | Value | Volume | Value |
| Sugar (long tons) | 117,848 | 86.6 | 107,597 | 74.2 | 89,538 | 59.4 |
| E.U. (Quota long tons) | 57,408 | 58.4 | 54,855 | 51.5 | 44,633 | 36.7 |
| USA (Quota long tons) | 11,275 | 10.3 | 11,015 | 8.3 | 10,858 | 9.0 |
| Other (World, long tons) | 49,165 | 17.9 | 41,727 | 14.4 | 34,047 | 13.7 |
| Molasses | 36,511 | 0.4 | 33,424 | 0.3 | 31,228 | 1.6 |

Source: Central Statistical Office

Exports to the EU totalled 44,633 long tons valued at $36.7mn, down from 54,855 long tons valued at $51.5mn in 2000. The decline in volume was mainly attributable to downward adjustments that compensated for the pre-shipment of a portion of the 2001 Protocol sugar quota during 2000. Additionally, Belize was not awarded any reallocation of sugar, unlike the previous year when a shortfall in Mauritius's production led to a 3,000 long ton quota increase plus the pre-shipment of approximately 6,000 long tons. Further exacerbating the revenue decline was a fall in the average price from US$0.21 to US$0.18 per pound as the euro depreciated against the US dollar. (Prices are quoted in euros on a CIF basis.)

The US quota remained at 11,000 long tons, and sales to that market amounted to 10,858 long tons valued at $9.0mn, a 1.4% decrease in volume and 8.4% increase in value. Although the sugar quota is fixed, small variations around that figure are allowed once compensatory adjustments in deliveries are made in the subsequent quota year. In contrast to the EU, the average price in the US improved from US$0.17 to US$0.19 per pound, as excess stocks were drawn down with the implementation of the payment in kind (PIK) programme by the Commodities Credit Corporation (CCC). (The PIK program encourages US farmers not to plant sugarcane by giving them sugar from the CCC stocks that are equivalent to what would have been obtained from the acreage not planted.)

The residual 34,047 long tons that could not be sold preferentially went to the world market, garnering $13.7mn, decreases of 18.4% and 4.9% in volume and value when compared to the previous year. Ameliorating the decline in export value was an improvement in the average price from US$0.08 to US$0.09 per pound. This modest price recovery can be attributed to a contraction in global sugar production after six consecutive years of positive harvest growth. Aiding the global supply situation was the move by Brazil, one of the largest producers, to utilise a higher proportion of its sugarcane for ethanol rather than sugar production.

Molasses did very well with exports of 31,228 long tons valued at $1.6mn, compared to 33,424 long tons valued at $0.3mn in 2000. Prices made a substantial recovery from $8.98 to $51.23 per long ton largely due to the rebound in prices for grain substitutes in animal feed.

### Citrus Products

The value of citrus juice shipments destined for storage abroad amounted to $95.1mn, reflecting not only the limited storage capacity in-country but also the increased production arising from the 3.1% growth in fruit deliveries.

However, for the second consecutive year, the citrus processor suffered financial losses resulting from price declines, loss in market share and, in 2001, a major marketing quality mishap. After lacklustre sales in 2000 that left the processor with a huge stock overhang and an undesirable cash squeeze, an aggressive marketing strategy was adopted to reduce costly inventories, ease the cash constraints and minimise financial losses. An integral part of this strategy was to refocus attention on concentrate juices as the mainstay of the industry rather than the not-from-concentrate product (NFC). Further, it was determined that with prices relatively unfavourable in Europe, the main target market would be the United States followed by the much smaller but highly lucrative regional market.

An aggressive effort during the year culminated in sales of 8.5mn gallons of citrus juices valued at $88.5mn, significantly exceeding the 5.5mn gallons valued at $60.4mn realised for the previous year. Concentrate juices (including the freeze concentrate) accounted for 5.8mn gallons and $77.5mn, while NFC juices comprised the remaining 2.7mn gallons and $11.0mn.

The bulk (68.4% of export volume) of orange concentrate juices were sold in the US, with sales equally divided between the spot market, primarily to address the cash squeeze, and upscale clients. While higher prices were commanded from premium clients, product deliveries had to be consistent throughout the year, raising the cost-of-sales, since it is the seller and not the buyer that absorbs inventory costs. On the other hand, the high proportion of sales on the spot market lowered average prices from $14.51 to $11.88 per gallon. The next largest market was Japan, which almost doubled its intake (1.1mn gallons in 2001 versus 0.6mn gallons in 2000) of orange freeze concentrate,

**Table VI.5: Export Sales of Citrus Products**

| | 1999 | 2000 | 2001 |
|---|---|---|---|
| Concentrate ('000 gals) | 3,857 | 3,432 | 5,799 |
| Orange | 3,036 | 2,707 | 5,008 |
| Grapefruit | 821 | 725 | 791 |
| Concentrate value ($mn) | 55.2 | 50.8 | 77.5 |
| Orange | 45.6 | 39.5 | 64.5 |
| Grapefruit | 9.6 | 11.3 | 13.0 |
| Not-from-concentrate Exports ('000gals) | 4,572 | 2,024 | 2,650 |
| Orange | 3,465 | 1,231 | 2,024 |
| Grapefruit | 1,107 | 793 | 626 |
| Not-from-concentrate Value ($mn) | 23.9 | 9.6 | 11.0 |
| Orange | 18.5 | 5.6 | 7.9 |
| Grapefruit | 5.4 | 4.0 | 3.1 |
| Pulp Export ('000 pounds) | 0 | 1,524 | 2,075 |
| Pulp Value ($mn) | 0.0 | 1.0 | 1.4 |

Source: Citrus Industry

a product very similar to the NFC juice that yielded an additional $8.6mn in export revenues. Reports are, however, that the freeze concentrate marketing trials did not go as well as desired, perhaps because of the economic recession in Japan and this should have an adverse impact on future sales of this product. A concentrated sales push in the Caribbean was successful in raising export volume and value to this market by 77.1% and 69.4%, respectively. An insignificant quantity of orange concentrate went to the EU since returns in that market were lower than could be obtained elsewhere due to higher shipping costs.

With the market flooded by low cost orange NFC juices from Brazil and Spain, the status of orange NFC as a premier product was lost. In view of the huge inventory overhang from the previous year, the priorities in 2001 were to supply just sufficient quantities of fresh orange NFC to mix with that in inventory in order to improve saleability and sell off stocks, even below cost if necessary, to curtail further financial losses. An intensive sales drive was successful in moving approximately three quarters of the stocks in inventory, almost doubling the volume of orange NFC sold and increasing sales revenues from $5.6mn to $7.9mn. However, the intense competition and increased global supplies caused the average price per gallon to slide from $4.54 to $3.91.

While prices for orange juices continued their downward slide, the market for grapefruit juices experienced somewhat of a revival in 2000 and 2001. Although not yet back to levels considered profitable by growers, prices strengthened as a result of hurricane damage to Florida's grapefruit crop in 2000 and an internationally funded advertisement campaign that increased demand for the concentrate juice both in the United States and Europe.

In contrast with the orange product, the bulk (55.7% or 0.4mn gallons) of grapefruit concentrate juices went to health conscious consumers in the EU, with the average price increasing from $15.82 to $16.14 per gallon. Japan took 0.2mn gallons of the grapefruit freeze concentrate product valued at $3.1mn. Like the orange product, the Japanese response to this new juice was below expectations and was further negatively affected by quality problems experienced with grapefruit pulp. The remaining sales were to the US and Caribbean. Due to the focus on the freeze concentrate, sales slackened somewhat for grapefruit NFC, resulting in revenues of 0.6mn gallons valued at $3.1mn, decreases of 21.1% and 22.5% in volume and value, respectively.

During the year, pulp sales suffered a major setback as quality problems that manifested themselves at the retail level in the Japanese market brought the sale of grapefruit pulp to an abrupt halt in December. This proved very expensive to rectify. Much lobbying was done to convince customers that the problem was restricted to grapefruit pulp, would not occur in orange pulp and was not a grapefruit freeze concentrate issue. Since the marketing disaster occurred towards the end of the year, pulp sales did manage to exceed the previous year's, amounting to 2.1mn pounds valued at $1.4mn, compared with 1.5mn pounds valued at $1.0mn. Orange pulp sales consisted of 1.5mn

**Table VI.6: Exports of Bananas**

| | 1999 | 2000 | 2001 |
|---|---|---|---|
| Volume ('000 lbs) | 123,879 | 143,113 | 106,235 |
| Metric Tons | 56,188 | 64,912 | 48,185 |
| Value ($mn) | 56.8 | 65.8 | 42.8 |

Source: Central Statistical Office

pounds valued at $1.0mn, while grapefruit pulp totalled 0.6mn pounds valued at $0.4mn. Orange pulp sales will continue into the next year under tightened quality assurance standards. Sales of grapefruit pulp will only resume if certain stringent quality control measures are implemented and market credibility can be regained.

### *Banana*

The devastation to banana plantations from Hurricane Iris in October brought an abrupt halt to export shipments after only 40 weeks. Hence, export volume and value contracted to 48,185 metric tons valued at $42.8mn, down from 64,912 metric tons valued at $65.8mn for the 52 weeks of 2000.

**Box 5: Banana - WTO Update**

Some stability was restored to the banana trade as the EU finally settled on the approach to bring its banana import regime into conformity with WTO principles. A new tariff only system for banana imports will be implemented and ACP countries will be given a transitional period within which to improve their competitiveness. During this interim period, the import quotas for Latin American and ACP banana will continue to operate.

From June to December 2001, banana import quotas were 2,553,000 tonnes for Latin America and 850,000 tonnes for ACP countries. Import licenses were allocated between traditional importers (83.0%) and non-traditional importers (17.0%). The reference quota for Belize was the average of deliveries between 1994 to 1996 or some 40,000 tonnes. Deliveries above the latter amount were only made possible by buying unused import licenses from other ACP countries that were unable to meet their reference quota.

Phase 2 of the adjustment will run from January 2002 to December 2005. In this phase, the import quota for Latin American countries was adjusted to 2,653,000 tonnes while that of the ACP countries was reduced to 750,000 tonnes. Meanwhile, the division of import licenses between traditional and non-traditional importers is still being debated and there are some indications that the 17.0% allocated to non-traditional importers may be further sub-divided. A strong lobby is under way to get the EU to allocate 8.0% to non-traditional importers and 9.0% to traditional producer organizations. In other matters, Latin American countries pay a tariff of 75 Euros per tonne of banana. If they decide to deliver any of the ACP quota, the tariff will be 300 euros, sufficiently punitive to discourage any incursion into the ACP market.

In 2006, a tariff only system will prevail with ACP banana continuing to have tariff free entry. The level of tariff for non-ACP banana has not been decided yet, but will be critical in determining the survival prospects for ACP banana. In Belize, the local industry has already started to avail itself of EU grant funds to improve field productivity and lower costs in a serious bid to enhance competitiveness and ensure its future survival.

Claiming market pressure from the 'dollar' banana countries, Fyffes (the marketer) reduced the average box price by approximately $2.48, so the final box price to growers ended at $15.92, down from $18.40 received in the previous year. The marketer also imposed a limit of 100,000 boxes per week for the first 45 weeks and 80,000 boxes per week from week 46 to 52, the latter limit being totally superfluous, given the crop losses from hurricane. The payment method where a basic box price was guaranteed upon shipment and a further quality bonus per box paid after inspection at the port of destination remained in force for 2001.

During the year, the EU import regime remained essentially the same as that which had operated from January 1999 – import quota for Latin America was 2,553,000 tonnes while that of ACP countries was 850,000 tonnes. Since individual country quotas were removed, Belize was able to secure import licenses from countries unable to meet their reference quantity for amounts above her reference quantity of 40,000 tonnes.

### *Marine Products*

Disturbed fishing grounds, the resurfacing of disease in shrimp ponds, and the negative impact on export prices of the September 11 disaster presented challenges to the export performance of marine products in 2001.

While export volume rose by 20.9% to 7.5mn pounds, this was largely attributable to increases in shrimp and conch since all other exports declined. At $63.7mn, value was 5.8% below that of the previous year principally due to the decline in lobster exports and lower shrimp prices.

Expansion of shrimp ponds in 2000 and 2001 paid off with a 30.3% surge in export volume to 6.4mn pounds. However, the Taura virus re-emerged during the year on all farms, raising shrimp mortality significantly, though the higher pond fatalities were more than offset by the increase in pond acreage. The September 11 disaster dealt another blow to the industry due to the subsequent dramatic contraction in the dining out market and resultant lowering of shrimp demand and prices. In a further

**Table VI.7: Exports of Marine Products**

| | 1999 | | 2000 | | 2001 | |
|---|---|---|---|---|---|---|
| | Volume ('000 lbs) | Value ($'000) | Volume ('000 lbs) | Value ($'000) | Volume ('000 lbs) | Value ($'000) |
| Lobster Tail | 561 | 16,493 | 573 | 16,760 | 433 | 12,198 |
| Lobster Head | 45 | 256 | 49 | 289 | 28 | 241 |
| Whole Lobster | 0 | 0 | 0 | 0 | 0 | 0 |
| Shrimp* | 4,637 | 36,064 | 4,897 | 46,418 | 6,381 | 46,665 |
| Conch | 365 | 2,557 | 564 | 3,950 | 622 | 4,596 |
| Whole Fish | 65 | 96 | 97 | 143 | 11 | 14 |
| Other | 10 | 100 | 4 | 42 | 0 | 0 |
| Total | 5,683 | 55,566 | 6,184 | 67,603 | 7,475 | 63,714 |

Source: Central Statistical Office

* Reflects value of export shipments, not sales.

complication, supplies of shrimp from the far east (mainly China) rose significantly. Reflecting these market developments, the average shrimp price per pound fell from $9.48 in 2000 to $7.33 in 2001. The larger shrimp volume compensated for the price decline, so the export value of shipments was $46.7mn, of which $35.7mn represented actual sales. Some 1.5mn pounds of shrimps went into inventory abroad for sale at a later date.

As evidence of the gradual recovery of the conch population after the disruption of Hurricane Mitch, export volume and value rose by 10.3% to 0.6mn pounds and 16.4% to $4.6mn. The strength of demand in the Asian markets has also been recovering after substantial weakening in the wake of their financial crises in 1997/98. A 5.6% increase in prices to $7.39 per pound also encouraged fishermen to concentrate on increasing their conch catch.

Lobster exports totalled 0.5mn pounds valued at $12.4mn, down 25.9% and 27.0% in volume and value, respectively. The contraction in exports reflected the destruction of traps and severe disruption to the fishing grounds caused by Hurricane Keith.

Like lobster, damage to fishing grounds by the hurricane reduced the catch of finned fish and, hence, exports. Also, most fishermen chose to sell the bulk of their catch to the local market where quality standards were less stringent and prices just as remunerative.

Exports of other marine products, namely crab claws, did not occur in 2001 due to a slowness to recover from the destruction of fishing traps and disturbance to sea crabs' habitat, the result of Hurricane Keith impact in the previous year.

### *Other Major Exports*

The value of garment exports declined by 23.6% to $30.4mn, principally due to a 23.1% reduction in export volume to 2.0mn pieces. One of the largest sewing factories shifted dress styles from cargo pants, jeans and shorts to winter wear, items that are more labour intensive to sew. This reduced export volume and value, correspondingly.

Sawn wood exports more than halved to 1.0mn board feet valued at $2.3mn as logging was affected by floods from the hurricane, and there was also a surge in domestic timber demand for hurricane

**Table VI.8: Other Major Exports**

| | 1999 | 2000 | 2001 |
|---|---|---|---|
| **Garments** | | | |
| Volume (mn pieces) | 2.4 | 2.6 | 2.0 |
| Value ($mn) | 39.3 | 39.8 | 30.4 |
| **Sawn Wood** | | | |
| Volume ('000 bd ft.) | 2,063 | 2,393 | 1,030 |
| Value ($mn) | 4.2 | 4.7 | 2.3 |
| **Papayas** | | | |
| Volume ('000 lbs) | 9,069 | 12,307 | 14,153 |
| Value ($mn) | 7.5 | 12.8 | 10.3 |

Source: Central Statistical Office

reconstruction and other construction projects. The average price per board feet increased from $1.93 to $2.23 as more high valued woods were exported.

Notwithstanding the damage to fields inflicted by Tropical Storm Chantal in August, papaya export volume surged from 12.3mn to 14.2mn pounds, while export value experienced a 19.5% decline to $10.3mn. The volume increase was due to growth in the number of export shipments of large papayas, which producers have been shifting to since it is more resistant to the mosaic virus, and thus experiences less quality problems than the small papaya. Export value fell because of a decline in the average unit price from $1.04 to $0.73 per pound. Lower fruit quality (due to the high incidence of viral diseases in the field), the larger share of big papayas in the export mix (prices for big papayas are about 30.0% lower than that for the smaller papayas) and increased competition were the main factors driving average prices downward.

### *Non-traditional Exports*

During 2001, the value of non-traditional exports (excluding papayas) rose by 4.2% to $16.4mn. An increase in the value of beans (red kidney and black eyed) and other smaller miscellaneous non-traditionals more than compensated for decreases in all other products. While the volume of beans was almost the same as the previous year's, the higher priced red kidney beans comprised a larger share of shipments, raising export revenues by 10.3% to $6.0mn. Exports of orange and grapefruit oil contracted by 35.5% to $0.3mn because of declining prices. For the second consecutive year, there were no exports of honey due to the country's inability to meet new export certification requirements in the traditional UK market. Producers hope to commence exportation in 2002 once the export certification process is satisfactorily completed.

## Re-exports

Buoyed by growth in CFZ activities, re-exports, including gross CFZ sales, rose by 2.0% to an estimated $229.9mn in 2001.

CFZ sales rose by a healthy 5.5% to an estimated $205.5mn as merchants continued to diversify their product offerings around fuel, the mainstay of the zone. The majority of CFZ goods were retailed to Mexicans, the principal target customers, with the remainder sold in bulk shipments to third countries.

On the other hand, re-exports from the customs territory fell from $30.6mn to $24.5mn, continuing the declining trend that has been evident since 1999. The reductions were primarily concentrated in food items and miscellaneous manufactured articles. Food re-exports were particularly affected by the Mexican crackdown on food imports from Belize because of phytosanitary concerns. Additionally, the expansion of retail activity in the CFZ was responsible for replacing to a large extent, the bulk re-export of goods from the customs territory, especially since a significant share of the traditional re-export trade was to merchants in Chetumal, the Mexican border town.

## Gross Imports

Gross imports (FOB) of goods and electricity as recorded in the balance of payments fell marginally from $923.2mn to $921.1mn as a decline in imports into the customs territory was almost fully offset by a modest increase in imports for the CFZ.

Most of the contraction in goods imported into the customs territory was traced to reductions in fuels, chemicals, manufactured goods and machinery & transport goods, which outweighed increased imports of other commodities including electricity. Imports of fuel declined due to reductions in average acquisition costs since import volume actually increased by 7.8% to 56.3mn gallons. Import volumes of gasoline and diesel, for example, went up by 0.7mn and 3.4mn gallons, respectively, while the average unit price of gasoline fell from $2.40 to $2.02 per gallon and that of diesel fell from $2.17 to $2.03 per gallon. The fall in the value of chemical imports reflected lower imports of PVC pipes and other conduits for construction, while that for manufactured goods was due to less building cement and carton boxes. On the other hand, machinery & transport goods reverted to normal levels after peaking in 2000 because of the one-time importation of brewery and other capital goods.

## *Direction of Visible Trade*

The major markets for exports continued to be the United States (US) and United Kingdom (UK), which together accounted for a little over three-quarters of total exports. Several factors combined to reduce the share of sales to Europe (including the UK) from 38.8% to 29.7%. Sales of orange concentrate juices virtually dried up due to relatively unattractive prices, and banana shipments came to a halt after just 40 weeks due to devastation of plantations by Hurricane Iris. Additionally, for the second consecutive year, honey was not exported due to the country's inability to implement the new certification procedures for the EU. Meanwhile, the increased market share of the US reflected a surge in the sales of citrus juices, and the modest growth in that of CARICOM resulted from an intensification of regional sale efforts.

**Table VI.9: Direction of Visible Trade***

Percentages

| | Exports | | | Imports | | |
|---|---|---|---|---|---|---|
| | 1999 | 2000 | 2001 | 1999 | 2000 | 2001 |
| United Kingdom | 29.9 | 29.0 | 23.0 | 4.1 | 2.6 | 2.7 |
| Other EU | 12.0 | 9.8 | 6.7 | 3.5 | 4.8 | 3.8 |
| United States | 41.9 | 50.5 | 53.8 | 51.1 | 48.9 | 47.2 |
| Mexico | 3.6 | 1.0 | 1.0 | 13.0 | 10.7 | 11.2 |
| CARICOM | 5.4 | 4.2 | 6.4 | 3.5 | 3.1 | 5.0 |
| Other Countries | 7.2 | 5.5 | 9.1 | 24.8 | 29.9 | 30.1 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Source: Central Statistical Office
* Excludes CFZ activities

Table VI.10: Balance of Payments - Invisible Trade

$mn

| | 1999 Credit | 1999 Debit | 1999 Net | 2000 Credit | 2000 Debit | 2000 Net | 2001 Credit | 2001 Debit | 2001 Net |
|---|---|---|---|---|---|---|---|---|---|
| **INVISIBLE TRADE** | **316.9** | **334.7** | **(17.8)** | **337.9** | **412.2** | **(74.3)** | **371.3** | **424.5** | **(53.2)** |
| ***Services*** | **307.3** | **241.7** | **65.6** | **319.6** | **284.9** | **34.7** | **349.1** | **272.1** | **77.0** |
| Transportation | 17.1 | 87.3 | (70.2) | 21.6 | 109.7 | (88.1) | 22.4 | 107.4 | (84.9) |
| Travel | 211.2 | 72.4 | 138.8 | 235.5 | 81.0 | 154.5 | 239.7 | 76.6 | 163.0 |
| Other Goods and Services | 41.3 | 66.7 | (25.4) | 26.8 | 76.6 | (49.8) | 39.5 | 71.2 | (31.7) |
| Govt. Goods and Services, N.I.E | 37.7 | 15.3 | 22.4 | 35.6 | 17.6 | 18.0 | 47.5 | 16.9 | 30.6 |
| ***Factor Income*** | **9.6** | **93.0** | **(83.3)** | **18.3** | **127.3** | **(109.1)** | **22.2** | **152.4** | **(130.2)** |
| Labour income | 3.7 | 12.9 | (9.2) | 4.1 | 18.9 | (14.8) | 4.0 | 23.6 | (19.6) |
| Investment Income | 6.0 | (80.1) | (74.1) | 14.2 | 108.5 | (94.3) | 18.2 | 128.8 | (110.6) |
| ***Current Transfers*** | **81.2** | **4.7** | **76.5** | **120.1** | **2.7** | **117.4** | **100.9** | **3.9** | **97.1** |
| Government | 16.7 | 2.2 | 14.5 | 17.0 | 0.6 | 16.4 | 18.4 | 0.6 | 17.8 |
| Private | 64.5 | 2.5 | 62.0 | 103.1 | 2.1 | 101.0 | 82.5 | 3.2 | 79.3 |
| Invisible Trade and Current Transfers | 398.1 | 339.4 | 58.7 | 458.0 | 414.9 | 43.1 | 472.2 | 428.4 | 43.9 |

The US was also the primary source for imports, supplying 47.2% of the total. The intensification of trade efforts within CARICOM bore fruit with import growth rising from 3.1% in 2000 to 5.0% in 2001. Mexico increased its market share principally because of an increase in electricity imports.

## Invisible Trade

Invisible trade activity created net outflows of $53.2mn as factor income payments of $130.2mn outweighed receipts of $77.0mn from services.

### Services

Net outflows for transportation services declined by $3.2mn to $84.9mn, primarily due to the contraction in international trade as lower export and import volumes caused payments for international freight, the largest component of transportation services, to fall.

Meanwhile, net earnings from travel services rose by $8.5mn to $163.0mn, reflecting a small increase in inflows from nonresidents visiting or working in Belize and a reduction in expenditures by Belizeans/ residents travelling or studying abroad. Total inflows amounted to $239.7mn, of which $225.9mn was from tourist visitors and $13.8mn from seasonal / border workers and students. Average tourist expenditure rose due to the expansion in more value added services such as tour operations. Business visitors spent an average of $278 per day but stayed for a shorter period (3 days), whereas nonbusiness visitors spent an average of $196 per day but stayed longer (7 days). Total travel outflows measured $76.6mn, down from $81.0mn, as reduced spending on leisure and education overshadowed an increase in business and health expenditures.

Net outflows for other goods & services were down by $18.1mn to $31.7mn with payments declining by $5.4mn to $71.2mn and receipts rising by $12.7mn to $39.5mn. The major factor causing the reduction in international payables was telecommunications, which was affected by a lowering of international settlement rates. The growth in income, on the other hand, was from a combination of miscellaneous business services, among which were legal and financial services.

Net inflows from government goods & services rose by $12.6mn to $30.6mn as spending in Belize by foreign embassies, military units, international and regional agencies increased concurrently with the curtailment of expenditures by Belizean overseas offices.

### *Factor Income*

Net outflows for factor income rose from $109.1mn to $130.2mn in response to increased payments of $16.3mn for investment income and $4.8mn for seasonal and border workers. The latter reflected an expansion in the wage bill for alien workers since many new workers were employed on citrus and banana plantations to replace those who left for employment elsewhere after benefitting from the amnesty programme in 2000. On the other hand, outflows for investment income increased sharply by 17.3% (from $94.3mn to $110.6mn) due to higher interest payments on bonds and loans.

## Current Transfers

While net current transfers from foreign governments increased marginally by $1.4mn over the year, those from the private sector plunged by $21.7mn, pushing the level of net current transfers down by $20.4mn to $97.0mn. Although much assistance was rendered to the country in the wake of Hurricane Iris, a significant portion was in kind rather than cash. Workers' remittances from abroad to families in Belize plummeted by $10.7mn, more than likely due to the economic slowdown in the US, a major immigration haven. Further exacerbating the decline in private sector inflows was the relatively smaller size of insurance claims in 2001 arising from Hurricane Iris when compared to those for Hurricane Keith in 2000.

## *Capital and Financial Accounts*

Net capital inflows totalled $1.8mn, some $1.3mn lower than that of the previous year, the decline being principally due to a fall in the level of migrant transfers.

As in the case of the previous two years, substantial net inflows on the financial account were recorded. In 2001, these totalled $287.3mn, representing the main sources of financing for the $324.2mn current account deficit. Financial inflows were dominated by government activities such as foreign borrowings, privatization and an asset repurchase agreement involving land and housing. Although sizeable, net financial inflows in 2001 were significantly below the $408.4mn received in 2000 from mortgage securitisation, international bond issues and other transactions.

Privatisation of BWSL as well as expanded investments into the tourism sub-sector pushed inflows from direct investment upward from $38.8mn to $80.5mn. On the other hand, portfolio investment activity consisted of net outflows of $35.9mn. The latter reflected redemption of a portion of the Central Bank Building Bonds and outward remittances of monies associated with the

Table VI.11: Balance of Payments - Capital and Financial Accounts

$mn

| | 1999 Net | 2000 Net | 2001 Net |
|---|---|---|---|
| **CAPITAL ACCOUNT** | **5.5** | **3.1** | **1.8** |
| Capital Transfers | 5.5 | 3.1 | 1.8 |
| **FINANCIAL ACCOUNT** | **192.7** | **408.4** | **287.3** |
| Direct Investment Abroad | - | - | - |
| Direct Investment in Reporting Economy | 99.6 | 38.8 | 80.5 |
| Portfolio Investment Assets | - | - | - |
| Portfolio Investment Liabilities | 77.0 | 226.3 | (35.9) |
| Other Investment Assets | (29.1) | (103.0) | (32.2) |
| Monetary Authorities | - | - | - |
| General Government | (11.3) | (22.1) | (34.0) |
| Banks | (12.5) | (52.4) | 5.0 |
| Other Sectors | (5.3) | (28.4) | (3.1) |
| Other Investment Liabilities | 45.2 | 246.3 | 274.8 |
| Monetary Authorities | (1.1) | 83.6 | (1.2) |
| General Government | 35.1 | 113.6 | 244.6 |
| Banks | (17.8) | 31.0 | 23.3 |
| Other Sectors | 29.1 | 18.1 | 8.2 |
| **CHANGES IN RESERVES (Minus = increase)** | **(54.5)** | **(103.3)** | **21.0** |

mortgage securitisation programme. Since there were no new bond issues or mortgage securitisation, all financial flows were outbound on this account.

Other investment assets saw debits fall from $103.0mn to $32.2mn for several reasons. In contrast to 2000, the foreign assets of the commercial banks declined as they drew down foreign holdings to facilitate domestic demand for foreign goods and services. Further, in this line item is reflected monies placed into a deposit account (under the USAID 'debt for nature swap') that will be managed by several non-governmental organisations for specific conservation projects. Also reflected is the foreign deposit held at the Royal Merchant Bank in which the remaining funds for the repurchase agreement are presently lodged.

Net inflows from other investment liabilities rose from $246.3mn to $274.8mn as foreign currency receipts from the repurchase agreement and drawdowns on new loans by the public and private sector overshadowed outflows for loan repayments.

The net movement in IBC deposits remained close to that of the previous year and hence, did not influence financial movements on this account.

## *Official International Reserves*

Gross official reserves fell by $21.0mn to $224.6mn as reserves were drawn down to partially finance the deficit on the current account. Holdings by the Central Bank declined by $21.0mn, while holdings by Central Government remained relatively stable at $16.2mn. Foreign liabilities rose by $1.2mn to $2.9mn, causing net official international reserves to decrease by $22.2mn to $221.7mn.

**Table VI.12: Official International Reserves**

$mn

| | Position as at | | | Changes during 2001 |
|---|---|---|---|---|
| | Dec-99 | Dec-00 | Dec-01 | |
| **Gross Official International Reserves** | **142.3** | **245.6** | **224.6** | **(21.0)** |
| **Central Bank of Belize** | **128.5** | **229.4** | **208.4** | **(21.0)** |
| Holdings of SDRs | 2.3 | 3.1 | 3.4 | 0.3 |
| IMF Reserve Tranche | 11.8 | 11.0 | 10.6 | (0.4) |
| Other | 114.4 | 215.3 | 194.4 | (20.9) |
| **Central Government** | **13.8** | **16.3** | **16.2** | **0.0** |
| **Foreign Liabilities** | **2.1** | **1.7** | **2.9** | **1.2** |
| CARICOM | 0.3 | 0.2 | 0.6 | 0.4 |
| Other | 1.7 | 1.4 | 2.3 | 0.9 |
| **Net Official International Reserves** | **140.2** | **243.9** | **221.7** | **(22.2)** |

Two major hurricanes, a tropical storm and severe disease problems within two consecutive years have increased the likelihood that the primary sector will deliver a mixed performance in 2002.

After several years of production decline, sugarcane output should pick up in 2002 with deliveries growing by 7.5% to 1.1mn long tons. It is anticipated that, during the coming year, sugarcane fields will fully recover from the damage inflicted by Hurricane Keith in late 2000 and by the less severe tropical storm, Chantal, in mid-August, 2001. Yields should also be ratcheted up further since the processor has received permission to expand the amount of acreage under its cultivation. In view of the expected increase in sugarcane throughput, sugar production should rise from 103,813 to 115,000 long tons, a 10.8% growth. Output of molasses should also grow by 4.1%.

With sugar output expanding, exports are expected to grow by 17.8% in volume to 106,200 long tons and by 10.9% in value to $67.2mn. Despite a small drop in global production, a large overhang of stocks is expected to keep prices at approximately the same level as the previous year. A tight supply situation for molasses is expected to continue into 2002, so prices should remain highly favourable, garnering $3.1mn from 32,300 long tons, increases of 42.9% and 3.4% in value and volume, respectively.

Subsequent to Hurricane Iris' sweeping through the southern part of the country, blowing maturing fruit off trees as well as destroying approximately 10% of trees in the affected area, citrus deliveries for the 2001/2002 season are expected to experience a steep decline from 7.4mn boxes to 5.7mn boxes. The harvest damage coupled with micro-climatic conditions that depressed blossom formation (the 'harvest flush') account for the lower anticipated yields. In fact, the Citrus Growers' Association estimates that it will take two years for the industry to recover completely from hurricane damage. With fruit deliveries forecasted to fall, output of citrus juices should decline by 11.2% to 32.8mn pound solids (ps), comprising 30.1mn ps of the concentrates and 2.7mn ps of the NFC. The processing focus remains on the concentrate juices since the niche market for NFC has been captured for the most part by Brazil due to its larger quantities and lower costs. Pulp production should yield 3.7 mn pounds, most of which will be orange since production of the grapefruit pulp was temporarily halted due to quality problems.

Meanwhile, with processing volumes down, exports of citrus juices are expected to decrease by 4.2% in volume to 38.5mn ps and 11.1% in value to $77.3mn. It so happens that the strengthening of prices for orange juice has occurred at a time when supplies in the country have tightened, limiting the benefits to be received from this development.

After the devastation of Hurricane Iris, rapid steps to replant banana plantations and nurture surviving plants enabled a return to export shipments in January, 2002. Export volume should increase by a modest 3.8% to 50,000 metric tons. On the other hand, export value should fall by 2.1% to $41.9mn since the average price per box has been reduced from $15.90 to $15.20, a reduction, which the marketer attributes to increased competitive pressure from Latin American countries. The Banana Growers Association estimates that the industry will take two years to fully recuperate from hurricane damage.

An increase in the acreage dedicated to cultivation of large papayas and a shift to more virus-resistant varieties of small papayas is expected to lead to a surge in papaya production and exports. Export volume and value should increase by 14.6% and 39.8%, respectively, to 16.2mn pounds valued at $14.4mn. An improvement in fruit quality should also boost unit prices upwards.

In the marine sub-sector, farmed shrimps and lobster are poised for a strong recovery during 2002. Rebounding from hurricane damage, lobster exports should amount to 550,000 pounds valued at $15.9mn, increases of 14.2% and 21.4% in volume and value, respectively. As a result of past and projected expansions, farmed shrimp exports are expected to grow by more than half, with volume rising from 6.3mn to 9.6mn pounds and value leaping from $46.5mn to $69.9mn. The farms will be implementing management strategies to keep the losses due to Taura virus at a minimum, while pond acreage should expand by at least another 205 acres. In contrast, conch exports are forecasted to dip by 7.5% and 10.9% in volume and value, respectively, to 575,000 pounds worth $4.1mn due to a natural trough in their productive cycle.

In the secondary sector, performance will be mixed, as the small boost in sugar production will be countered with the decline in citrus juice production. Construction may hover close to 2001 levels since housing activities will remain strong and several construction projects, particularly relating to the tourism sector, are continuing into or will commence in 2002.

In other developments, the services sector should continue to be the largest contributor to growth. In particular, the tourist sector is well positioned for another year of expansion. Significant investments are scheduled for the year, including completion of the Belize Tourism Village and several relatively large-scale hotel projects. The Belize Tourism Board projects that stay-over tourist arrivals should grow by 6% to 8%. In the rapidly growing cruise ship market, port calls should increase from 47 to 181, leading to a five-fold surge in cruise ship passengers to over 200,000.

The rate of inflation is expected to remain modestly positive in 2002, especially as prices for fuel at the pump remain high and charges for basic telecommunication services were increased at the start of the year.

With agriculture on the recovery, construction poised for another busy year due to hurricane reconstruction and housing projects, and services in high gear due to flourishing tourism activity, real GDP is forecasted to rise by 6.0% for 2002.

# ADMINISTRATION

### The Board of Directors

The Board of Directors held 11 meetings in 2001 and considered 60 submissions.

### Overseas Meetings

The Governor, Deputy Governors and other staff represented the country and the Bank at various meetings during the course of 2001. Some of the meetings attended are shown in Box 7.

### Finance

The Central Bank's financial statements for the year ended December 31, 2001, with comparative figures for the previous year, are annexed to this report. During the year, the total assets of the Bank fell by 1.9% to $402.0mn with holdings of external assets down 9.1% to $207.4mn, while domestic assets rose by 7.3% to $194.5mn.

At year-end, the net operating surplus amounted to $4.7mn as compared to $2.0mn in 2000. Gross earnings totalled $27.6mn including interest income of $25.9mn and commissions and other income of $1.7mn. Current expenditure totalled $22.9mn with staff costs, interest payments and other operating cost accounting for 17.6 %, 63.0% and 19.4%, respectively.

As provided for under Section 9(1) of the Central Bank Act, $0.5mn or 10% of the net operating surplus will be paid into the Central Bank's General Reserve Fund. The balance of $4.2mn will be transferred to the Accountant General for the Government of Belize's Consolidated Revenue Fund.

### Internal Audit Activities

During 2001, the Internal Audit Unit focused its efforts on reviewing the procedural changes required upon implementation of the Central Bank's new financial and money transfer systems. Particular attention was paid to assessing activities related to the management of inventory, assets, procurement, payables and money transfer processes with a view to determining the adequacy of controls and whether procedures were being adhered to.

The Unit assisted in the review of the Bank's draft Financial Rules and Hurricane Plans, providing input to ensure that these policies were fully incorporated into the existing infrastructure so as to enhance management practices and avoid unnecessary costs.

The Internal Audit Unit was also instrumental in devising improvements to the procedures involved in the monthly currency notes & coins stocktaking exercise, the emphasis being on ensuring the independence and integrity of the entire process. Subsequent training of the staff members assigned to these particular duties was also carried out.

Issues raised by external as well as internal auditors were reviewed after the completion of the year 2000 audit by the Central Bank's Audit Committee. The Committee also commenced preparation of a report in response to the Board of Directors' request for revision of procedures involved in the

**Box 6: Meetings Attended by the Governor and Deputy Governors during 2001**

| Name of Meeting/Conference | Month | Place |
|---|---|---|
| Meeting of High Level Consultation on OECD Harmful Tax Competition Initiative | January | Barbados |
| 6th CARICOM Canada Summit | February | Kingston, Jamaica |
| Fact Finding Mission to Central American Bank for Economic Integration (CABEI) | February | Honduras |
| 2nd Meeting of the Caribbean Association of Regulators of International Business (CARIB) | February | Barbados |
| Annual Meeting of Board of Governors of IDB and IIC | March | Santiago, Chile |
| XIII CFATF Plenary Meeting | March | Trinidad & Tobago |
| 4th Meeting of Western Hemisphere Finance Ministers | March | Toronto, Canada |
| 2nd Meeting of the Technical Team Task working on a report titled "Monetary Union in CARICOM: Some notes on the way forward" | May | Trinidad & Tobago |
| CARICOM Central Bank Governors Meeting | May | Trinidad & Tobago |
| 31st Annual Meeting of the Board of Governors of CDB | May | St. Lucia, W.I. |
| Conference on Mortgage Securitization in the International Financial Markets | May | Dominican Republic |
| Bank of England's Central Bank Governors' Meeting | June | London, England |
| Annual Conference of Information Systems Specialist of Regional Central Banks | June | Barbados |
| Outreach Program for Development of a set of Guidelines on Foreign Reserve Management | July | Mexico City, Mexico |
| Meeting of Plan Puebla Panama | August | Washington, D.C. |
| 8th Meeting of the Regional Capital Markets Committee of the CARICOM Secretariat | September | Grenada, W.I. |
| XIV CFATF Plenary Meeting | October | Dominican Republic |
| CARICOM Central Bank Governor's Meeting | October | Trinidad & Tobago |
| VII CFATF Council Meeting | November | Dominican Republic |
| CDB Board of Directors Meeting | December | Barbados |

authentication of abandoned property claims and the identification of a reasonable length of time for the bank to retain custody of such property..

## Human Resources

During 2001, the Human Resources Department continued to focus on enhancing the internal operational efficiency of the Bank with one principal objective being to better familiarize staff with the roles and functions of each department and unit within the Bank. This was achieved through a series of articles published in the Human Resources newsletter bulletin, *The Scoop,* and a formal Employee Orientation programme.

The orientation programme was the first to be offered by the Bank since 1992. The target group consequently included all those staff members who had joined the Bank from 1993 onward. Among the objectives of the orientation programme were that of acquainting employees with the Bank's history, goals and operational structure; to communicate basic information including policies, procedures, rules and benefits; and to review the functions of each department and unit. Staff feedback indicated that 91% of the participants strongly agreed that the programme was essential.

The Bank also held its 2nd Employee Recognition Ceremony early in the year under the theme *"Attitude Determines Altitude"*. The event was introduced as a way of recognizing staff for years of service and to reinforce the positive attitude of those staff members who have demonstrated high levels of performance, a strong sense of enthusiasm, dedication and *esprit de corps*. The Governor selected Miss Ivy Wright, Senior Secretary in the Banking & Currency Department as the Choice Performer of the year.

## Staffing

As at December 31, 2001, the staff complement was 119, comprising 81 permanent employees, 32 contract staff and 6 temporary persons, which represents 98.0% of the estimated staffing requirements.

The turnover rate was 11.0%, down 2.0% from the year 2000. There were twelve separations and thirteen persons were hired.

## Staff Development & Training

During 2001, the Bank's overseas training initiatives focused on the technical aspects of Central Banking. Ten members of staff attended a total of thirteen courses regionally and in the United States. Domestically, sixteen members of staff had the opportunity to develop their writing skills and telephone techniques through courses offered by the Belize Institute of Management. Also, staff of the Research Department benefited from a number of in-house training courses aimed at sharpening their technical and operational skills. These were Classification of XCH1 Transactions, Balance of Payments Credit and Debit Rules and the Western Union Information Systems Operations. Eleven staff members from the operational arm of the Bank trained in the newly procured Fixed Assets module of the Prophecy Open software. Training in the revised monthly stocktaking procedures was also offered to twenty employees who are involved with this process. Since a decision was taken to standardize on Microsoft suite, training in the desktop publishing application, Publisher, was arranged for staff members who need to use this application software in the course of their duties.

## Labour Relations

The Central Bank and the Christian Workers Union, which represents the unionized staff, executed its 2nd Collective Agreement during the year. The agreement was retroactive to January 1, 2000 and provides for an increase in salary over the four-year period, 2000 to 2003.

The Union and the Bank pledged to work towards improving communication between the two parties in an effort to improve the relationship between management and staff.

## 4th Central Banks Intra-Regional Games

An eleven-member team represented the Bank at the 4th Central Banks Intra-Regional Games that was hosted by the ECCB in Bassetterre, St. Kitts.

Unfortunately, two members of the contingent received injuries that caused the team to default from some of the events. Nonetheless, reports were that the team played tenaciously against larger and stronger contingents. The contingent's cultural performance "Message to our Neighbour", was also well received by colleagues from the region.

## XXXIII Conference of the Regional Programme of Monetary Studies

In collaboration with the Caribbean Centre for Monetary Studies (CCMS), the Central Bank of Belize hosted the thirty-third annual conference of the Regional Programme of Monetary Studies in November 2001. The conference provided an opportunity for regional central banks, universities, and other organizations to review current monetary and economic developments and to discuss possible solutions and recommendations to the challenges facing the economies of the region.

## Staff Club

A new executive of the Bank's Staff Club was elected and took office in 2001. The new executive pledged to foster staff unity and to improve the general well being of staff by promoting social interaction, healthy lifestyle and community out reach.

## Community Service

During 2001, the Bank continued its Summer Employment Programme, which is aimed at developing the skills of Belizean youths at the secondary and tertiary levels of education while affording some economic benefits. The programme also facilitates the Bank's vacation schedule for auxiliary staff and reduces back-logged clerical functions. A total of ten students participated in the programme. In addition, a Belizean student intern from a US university was also allowed to work at the Bank for credits towards an undergraduate programme.

In a demonstration of community spirit, several members of staff volunteered in response to the Belize Blood Donor Service's country-wide appeal to replenish blood supplies that had become dangerously low. Also, for the third time in as many years, the generosity of the Central Bank's staff was tested with respect to donations for hurricane victims. This time around, the donations were for the victims of Hurricane Iris, which devastated southern Belize. The Human Resources Department and the executive committee of the Staff Club coordinated the relief effort eventually handing over a total of twenty six double burner kerosene stoves and eleven boxes of assorted clothing and non perishable food items to the Belize Red Cross Society for distribution in the affected area.

Notably, these hurricane relief efforts did not adversely affect the level of staff donations to the Salvation Army's annual Christmas Appeal. In sustaining the tradition of expressing concern for the less privileged Belizeans by giving to this cause, staff contributed the second highest amount in this nine-year tradition.

# OPERATIONS

## *Foreign Exchange Operations*

The Central Bank's trade in US dollars, Canadian dollars and Pound Sterling resulted in net sales of \$20.9mn during 2001. Purchases exceeded sales in February, March, September, and December with the highest inflows occurring in March following the privatization of BWSL. Sales exceeded purchases during the remaining eight months with the largest outflows taking place in June. The trade in CARICOM currencies ( largely Barbados and Eastern Caribbean dollars) resulted in net sales of \$3.8mn for the year. Sales exceeded purchases during each month of 2001.

## *External Assets Ratio*

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 for sight and time deposits. The ratio fluctuated between a low of 72.6% in November and a high of 87.7% in March. External assets were comprised of foreign notes, deposits with foreign central banks and correspondent banks abroad, securities of foreign governments and holdings of Special Drawing Rights at the International Monetary Fund.

## *Relations with Commercial Banks*

### Cash Balances

During 2001, the commercial banks were required to maintain on deposit with the Central Bank 3.0% of their average deposit liabilities, not represented by demand deposits. The actual cash balances held with the Central Bank fluctuated between 8.2% and 14.4% and averaged approximately 10.4%. This

**Table IX.1: Central Bank Dealings in Foreign Exchange 2001**

($mn)

| Month | US & Canadian $ and UK £ | | | CARICOM Currencies | | |
|---|---|---|---|---|---|---|
| | Purchases | Sales | Net | Purchases | Sales | Net |
| January | 11.8 | 23.8 | (12.0) | 0.03 | 0.08 | (0.05) |
| February | 34.1 | 21.5 | 12.6 | 0.00 | 0.14 | (0.14) |
| March | 110.6 | 32.7 | 77.9 | 0.00 | 0.38 | (0.38) |
| April | 16.4 | 33.3 | (16.9) | 0.01 | 0.09 | (0.09) |
| May | 16.3 | 28.4 | (12.1) | 0.00 | 0.36 | (0.36) |
| June | 15.0 | 67.4 | (52.4) | 0.01 | 1.41 | (1.40) |
| July | 19.7 | 32.7 | (13.0) | 0.03 | 0.23 | (0.21) |
| August | 7.6 | 23.7 | (16.1) | 0.08 | 0.37 | (0.29) |
| September | 57.0 | 44.4 | 12.7 | 0.00 | 0.03 | (0.03) |
| October | 12.6 | 32.2 | (19.6) | 0.01 | 0.48 | (0.47) |
| November | 12.7 | 35.0 | (22.3) | 0.00 | 0.05 | (0.05) |
| December | 93.7 | 53.3 | 40.4 | 0.09 | 0.40 | (0.31) |
| **Total** | **407.4** | **428.3** | **(20.9)** | **0.26** | **4.04** | **(3.78)** |

### Table IX.2: External Assets Ratio 2001

| Month | Assets $mn | Liabilities $mn | External Assets Ratio (%) |
|---|---|---|---|
| January | 216.2 | 257.4 | 83.99 |
| February | 228.7 | 268.5 | 85.18 |
| March | 306.2 | 349.3 | 87.66 |
| April | 289.3 | 344.1 | 84.07 |
| May | 277.1 | 338.4 | 81.89 |
| June | 224.6 | 284.7 | 78.89 |
| July | 211.8 | 262.6 | 80.65 |
| August | 196.0 | 253.4 | 77.35 |
| September | 208.7 | 271.2 | 76.95 |
| October | 188.9 | 252.9 | 74.69 |
| November | 167.0 | 230.1 | 72.58 |
| December | 207.4 | 273.9 | 75.72 |

resulted in excess holdings that ranged from a low of $42.0mn in January to a high of $84.2mn in April.

### Currency in Circulation

Currency in circulation rose by $10.1mn during the year and displayed the usual seasonal pattern of the lowest occurring in the first quarter and the highest in the last quarter. The most notable increase was in December, a direct result of the Christmas season, when circulation stood at $125.3mn made up of $114.2mn in notes and $11.1mn in coins.

## *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

### Table IX.3: Commercial Bank Balances with the Central Bank

($mn)

| Month | Average Deposit Liabilities | Required Cash Reserves | Actual Cash Holdings | Excess |
|---|---|---|---|---|
| January | 917.6 | 32.9 | 74.9 | 42.0 |
| February | 805.9 | 32.9 | 82.0 | 49.1 |
| March | 776.9 | 33.0 | 112.0 | 78.9 |
| April | 948.8 | 34.3 | 118.5 | 84.2 |
| May | 984.4 | 36.0 | 113.8 | 77.8 |
| June | 985.7 | 36.2 | 110.8 | 74.6 |
| July | 973.6 | 35.8 | 104.4 | 68.6 |
| August | 978.1 | 36.1 | 103.0 | 67.0 |
| September | 991.2 | 36.5 | 91.8 | 55.3 |
| October | 981.8 | 35.9 | 82.1 | 46.2 |
| November | 980.5 | 35.8 | 82.6 | 46.8 |
| December | 898.2 | 33.0 | 86.6 | 53.6 |

## Table IX.4: Currency in Circulation 2001

($mn)

| Month | Notes | Coins | Total | Commercial Bank Vault Cash | Currency With the Public |
|---|---|---|---|---|---|
| January | 96.4 | 10.3 | 106.7 | 17.2 | 89.5 |
| February | 97.6 | 10.4 | 108.0 | 17.1 | 90.9 |
| March | 100.5 | 10.5 | 111.0 | 15.3 | 95.7 |
| April | 102.7 | 10.7 | 113.4 | 14.6 | 98.8 |
| May | 102.4 | 10.8 | 113.2 | 17.6 | 95.6 |
| June | 100.3 | 10.8 | 111.1 | 12.1 | 99.0 |
| July | 101.5 | 10.9 | 112.4 | 17.1 | 95.3 |
| August | 100.5 | 10.9 | 111.4 | 12.9 | 98.5 |
| September | 101.1 | 10.9 | 112.0 | 14.2 | 97.8 |
| October | 101.4 | 10.9 | 112.3 | 17.5 | 94.8 |
| November | 102.3 | 10.9 | 113.2 | 14.0 | 99.2 |
| December | 114.2 | 11.1 | 125.3 | 20.1 | 105.2 |

20.0% of current revenue collected during the preceding financial year or a sum of $50.0mn, whichever is greater.

Twenty percent of the preceding year's current revenue amounted to $67.7mn, which formed the upper threshold of the overdraft facility. During the first quarter, advances to Central Government averaged approximately $43.6mn with a low of $42.5mn in February. Financing rose in the ensuing months to peak at $66.8mn in October and result in an average of $65.0mn during the last quarter of the year.

## Table IX.5: Central Bank Credit to Central Government

$mn

| Month | Treasury Bills | Treasury Notes | Defence Bonds | Other Securities | Overdraft Facility | A | B |
|---|---|---|---|---|---|---|---|
| January | - | - | 10.0 | 2.2 | 42.8 | 0.56 | 12.75 |
| February | - | - | 10.0 | 2.2 | 42.5 | 0.56 | 12.67 |
| March | - | - | 10.0 | 2.2 | 45.5 | 0.56 | 13.55 |
| April | - | - | 10.0 | 2.2 | 58.6 | 0.56 | 17.34 |
| May | - | - | 10.0 | 2.2 | 62.8 | 0.56 | 18.56 |
| June | - | - | 10.0 | 2.2 | 63.0 | 0.56 | 18.63 |
| July | - | - | 10.0 | 2.2 | 49.7 | 0.56 | 14.71 |
| August | 1.0 | - | 10.0 | 2.2 | 57.9 | 0.61 | 17.12 |
| September | - | - | 10.0 | 2.2 | 64.1 | 0.56 | 18.96 |
| October | - | - | 10.0 | 2.2 | 66.8 | 0.56 | 19.76 |
| November | - | - | 10.0 | 2.2 | 62.7 | 0.56 | 18.55 |
| December | 0.5 | 0.0 | 10.0 | 2.2 | 65.5 | 0.58 | 19.35 |

A: Central Bank Holdings of Government Securities as a multiple of Central Bank's paid up Capital and Reserves.

B: Advance to Government as a percentage of Government's estimated recurrent revenue of the previous fiscal year. Estimated for fiscal 1999/2000 $335.7mn (Revised) Estimated for fiscal 2000/2001 $338.3mn.

**Table IX.6: Government of Belize Treasury Bill Issues**

| Issue Number | Issue Date | Subscription $mn | Allotment $mn | Discount Rate (%) | Yield (%) | Maturity Date |
|---|---|---|---|---|---|---|
| 1/2001 | 04/01/01 | 16.9 | 15.4 | 5.91 | 5.99 | 05/04/01 |
| 2/2001 | 01/02/01 | 17.7 | 13.2 | 5.91 | 5.99 | 03/05/01 |
| 3/2001 | 15/02/01 | 10.2 | 5.8 | 5.91 | 5.99 | 17/05/01 |
| 4/2001 | 14/03/01 | 49.2 | 35.6 | 5.91 | 5.99 | 13/06/01 |
| 5/2001 | 05/04/01 | 23.4 | 15.4 | 5.91 | 5.99 | 05/07/01 |
| 6/2001 | 03/05/01 | 26.4 | 13.2 | 5.91 | 5.99 | 02/08/01 |
| 7/2001 | 17/05/01 | 19.2 | 5.8 | 5.91 | 5.99 | 16/08/01 |
| 8/2001 | 13/06/01 | 56.4 | 35.6 | 5.91 | 5.99 | 12/09/01 |
| 9/2001 | 05/07/01 | 35.6 | 15.4 | 5.91 | 5.99 | 04/10/01 |
| 10/2001 | 02/08/01 | 33.6 | 13.2 | 5.91 | 5.99 | 01/11/01 |
| 11/2001 | 16/08/01 | 21.0 | 5.8 | 5.91 | 5.99 | 15/11/01 |
| 12/2001 | 12/09/01 | 60.4 | 35.6 | 5.91 | 5.99 | 12/12/01 |
| 13/2001 | 04/10/01 | 35.6 | 15.4 | 5.91 | 5.99 | 03/01/02 |
| 14/2001 | 01/11/01 | 36.3 | 13.2 | 5.91 | 5.99 | 31/02/02 |
| 15/2001 | 15/11/01 | 17.0 | 5.8 | 5.91 | 5.99 | 14/02/02 |
| 16/2001 | 12/12/01 | 61.9 | 35.6 | 4.28 | 4.32 | 13/03/02 |

### Treasury Bills

As is the normal practice, Treasury Bill operations were conducted by the Central Bank on behalf of the Government of Belize in 2001. The market was once again dominated by the commercial banks, which are the principal players in the financial system. In December, Central Government reversed a decision taken in November 1998 to fix the yield on Treasury Bills at 6.0%. Subsequent to the reinstatement of the bidding process, the yield moved downward to reach 4.3% at year-end. Total Treasury Bills outstanding at 31 December 2001 remained at the statutory limit of $70.0mn.

### Treasury Notes

Under the 1993 amendment to the Treasury Bill Act, the Government of Belize may issue up to $25.0mn in Treasury Notes. These notes have a one-year maturity period and carry a 9.0% rate of interest. At the end of 2001, total Treasury Notes outstanding amounted to $25.0mn, all of which were held by private sector institutions and individuals.

## *Supervision of the Financial System*

In carrying out its prudential responsibilities under the Banks and Financial Institutions Act (BFIA), the Central Bank conducted two on-site commercial bank examinations during 2001. One of these was classified as a full scope examination encompassing the assessment of the safety and soundness of the bank including its compliance with the requirements stipulated in the BFIA. The other examination was more limited in scope with the focus being on asset quality and a determination of the appropriate levels of loan loss reserves. The Central Bank also conducted six on-site examinations of commercial banks in accordance with the Money Laundering (Prevention) Act, 1996.

General monitoring of commercial and offshore banks continued through the Central Bank's off-site surveillance system. Under this system, large credit concentrations in regards to a borrower or related borrowers in excess of 25.0% of a commercial bank's capital and reserves must receive the prior approval of the Central Bank as specified by Section 21 (2) of the BFIA. In this regard, the Bank approved seven applications for large credit facilities totalling $90.9mn to private sector borrowers. At the end of 2001, total loans approved for all commercial banks in Belize under Section 21(2) of the BFIA stood at $181.4mn. The Central Bank also prepared annual credit reports on these specific loans in order to facilitate its continuous assessment of the repayment capability of the borrowers in question.

Two applications for offshore banking licenses were submitted during the year, which are currently being processed. In addition, the Central Bank completed the processing of five applications for offshore banking licenses that had been submitted in the previous year. Three of these applications were approved for the granting of an offshore banking license subject to certain pre-opening terms and conditions. The other two applications were denied.

## *Information Systems Developments*

During the first half of the year, the Information Systems Unit (ISU) continued to oversee testing of the Accounts Payable module of the Prophecy Open financial application. This process was eventually completed enabling the module to go into production in June 2001. The Unit also commenced testing of the Assets Management module in April with the objective of achieving full implementation in January 2002.

In order to assist collation and analysis of data related to Central Bank purchases and sales of foreign exchange, a new "Contracts System" that interfaces with Prophecy Open was developed. This makes it possible for Prophecy Open to transfer all contracts into the Contracts System database for easy retrieval and economic classification.

In November, ISU oversaw the implementation of a major upgrade to the money transfer system, SWIFT (Society for Worldwide Inter-bank Financial Telecommunication) wherein new message formats and standards were introduced.

Upgrades to the application servers that host the financial software and money transfer systems were also undertaken. The upgrades included the installation of hardware and software fault tolerance features to provide the Bank with additional options for information recovery in the event of a disaster.

# STATISTICAL APPENDIX

## Table 1: Gross Domestic Product (GDP) by Industrial Origin at Current Factor Cost

$ mn

| | 1997 | 1998 | 1999 | 2000 | 2001 |
|---|---|---|---|---|---|
| **Gross Domestic Product** | **1,043.5** | **1,055.4** | **1,177.5** | **1,318.9** | **1,363.8** |
| **Primary Activities** | **212.3** | **207.0** | **233.6** | **239.5** | **228.6** |
| Agriculture | 163.3 | 150.0 | 164.0 | 169.8 | 154.1 |
| Forestry & Logging | 17.6 | 17.0 | 21.8 | 8.0 | 15.1 |
| Fishing | 25.1 | 33.8 | 40.5 | 52.7 | 49.9 |
| Mining | 6.4 | 6.2 | 7.2 | 9.0 | 9.4 |
| **Secondary Activities** | **237.4** | **239.5** | **263.4** | **305.1** | **323.6** |
| Manufacturing | 144.5 | 142.1 | 149.7 | 175.6 | 183.2 |
| Electricity & Water | 31.0 | 35.9 | 39.0 | 43.0 | 43.6 |
| Construction | 61.9 | 61.5 | 74.8 | 86.5 | 96.8 |
| **Services** | **593.7** | **608.9** | **680.6** | **774.3** | **811.7** |
| Trade, Restaurant & Hotel | 191.1 | 199.1 | 240.4 | 291.1 | 291.4 |
| Transport & Communications | 109.6 | 109.4 | 122.4 | 130.6 | 143.4 |
| Finance & Insurance | 73.3 | 73.2 | 76.1 | 92.4 | 96.9 |
| Real Estate & Business Services | 69.9 | 69.8 | 73.3 | 78.2 | 83.2 |
| Public Administration | 125.4 | 133.6 | 143.1 | 155.3 | 168.2 |
| Community & Other Services | 68.2 | 68.1 | 70.7 | 73.1 | 76.0 |
| Less imputed bank service charges | 43.8 | 44.2 | 45.5 | 46.4 | 47.5 |

Source: Central Statistical Office

## Table 2: Percentage Share Of GDP By Industrial Sector at Current Prices *

| | 1997 | 1998 | 1999 | 2000 | 2001 |
|---|---|---|---|---|---|
| **Gross Domestic Product** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** |
| **Primary Activities** | **20.4** | **19.6** | **19.8** | **18.2** | **16.8** |
| Agriculture | 15.6 | 14.2 | 13.9 | 12.9 | 11.3 |
| Forestry & Logging | 1.7 | 1.6 | 1.9 | 0.6 | 1.1 |
| Fishing | 2.5 | 3.2 | 3.4 | 4.0 | 3.7 |
| Mining | 0.6 | 0.6 | 0.6 | 0.7 | 0.7 |
| **Secondary Activities** | **22.8** | **22.7** | **22.4** | **23.1** | **23.7** |
| Manufacturing | 13.9 | 13.5 | 12.7 | 13.3 | 13.4 |
| Electricity & Water | 3.0 | 3.4 | 3.3 | 3.3 | 3.2 |
| Construction | 5.9 | 5.8 | 6.4 | 6.6 | 7.1 |
| **Services** | **56.9** | **57.7** | **57.8** | **58.7** | **59.5** |
| Trade, Restaurant & Hotel | 18.3 | 18.9 | 20.4 | 22.1 | 21.4 |
| Transport & Communications | 10.5 | 10.4 | 10.4 | 9.9 | 10.5 |
| Finance & Insurance | 7.0 | 6.9 | 6.5 | 7.0 | 7.1 |
| Real Estate &Business Services | 6.7 | 6.6 | 6.2 | 5.9 | 6.1 |
| Public Administration | 12.0 | 12.7 | 12.2 | 11.8 | 12.3 |
| Community & Other Services | 6.5 | 6.5 | 6.0 | 5.5 | 5.6 |
| Less imputed bank service charges | 4.2 | 4.2 | 3.9 | 3.5 | 3.5 |

Source: Central Statistical Office

* Figures in Table 1 may not reflect these percentages due to rounding

## Table 3: Real Gross Domestic Product by Industrial Origin at Factor Cost (1984=100)

$ mn

| | 1997 | 1998 | 1999 | 2000 | 2001 |
|---|---|---|---|---|---|
| **Gross Domestic Product** | **749.8** | **763.0** | **812.8** | **900.7** | **941.8** |
| **Primary Activities** | **169.9** | **167.1** | **188.0** | **196.9** | **220.5** |
| Agriculture | 126.1 | 114.5 | 125.0 | 131.1 | 134.9 |
| Forestry & Logging | 14.1 | 13.7 | 13.6 | 9.4 | 10.9 |
| Fishing | 24.7 | 34.1 | 44.0 | 49.7 | 67.7 |
| Mining | 4.9 | 4.7 | 5.5 | 6.8 | 7.0 |
| **Secondary Activities** | **181.9** | **179.8** | **187.5** | **220.4** | **228.5** |
| Manufacturing | 124.3 | 120.7 | 125.4 | 149.9 | 152.8 |
| Electricity & Water | 16.4 | 18.6 | 13.2 | 14.6 | 14.7 |
| Construction | 41.2 | 40.5 | 48.8 | 56.0 | 61.1 |
| **Services** | **398.0** | **416.2** | **437.3** | **483.3** | **492.8** |
| Trade, Restaurant & Hotel | 135.6 | 144.6 | 149.1 | 185.0 | 184.0 |
| Transport & Communications | 106.4 | 109.0 | 117.9 | 121.5 | 126.7 |
| Finance & Insurance | 35.0 | 34.9 | 38.4 | 45.6 | 46.8 |
| Real Estate & Business Services | 39.9 | 43.7 | 48.0 | 48.5 | 49.9 |
| Public Administration | 53.4 | 54.4 | 55.6 | 57.8 | 59.8 |
| Community & Other Services | 51.8 | 53.6 | 54.7 | 56.2 | 57.7 |
| Less imputed bank service charges | 24.1 | 24.0 | 26.4 | 31.4 | 32.2 |

Source: Central Statistical Office

## Table 4: Annual Percent Change In GDP By Sector at Constant 1984 Prices *

| | 1997 | 1998 | 1999 | 2000 | 2001 |
|---|---|---|---|---|---|
| **Gross Domestic Product** | **4.3** | **1.8** | **6.5** | **10.8** | **4.6** |
| **Primary Activities** | **12.5** | **(1.7)** | **12.5** | **4.8** | **12.0** |
| Agriculture | 12.0 | (9.2) | 9.1 | 4.9 | 2.9 |
| Forestry & Logging | (2.4) | (3.2) | (0.6) | (30.9) | 16.0 |
| Fishing | 31.6 | 37.9 | 28.8 | 13.1 | 36.2 |
| Mining | (3.2) | (4.4) | 15.4 | 23.9 | 3.4 |
| **Secondary Activities** | **1.2** | **(1.1)** | **4.3** | **17.6** | **3.7** |
| Manufacturing | 2.7 | (2.9) | 3.9 | 19.5 | 2.0 |
| Electricity & Water | 9.7 | 13.3 | (28.8) | 9.9 | 0.7 |
| Construction | (5.7) | (1.5) | 20.5 | 14.8 | 9.0 |
| **Services** | **2.4** | **4.6** | **5.1** | **10.5** | **2.0** |
| Trade, Restaurant & Hotel | 8.2 | 6.6 | 3.1 | 24.1 | (0.6) |
| Transport & Communications | (2.9) | 2.5 | 8.2 | 3.0 | 4.3 |
| Finance & Insurance | 1.8 | (0.3) | 10.1 | 18.8 | 2.6 |
| Real Estate &Business Services | 7.2 | 9.4 | 9.8 | 1.2 | 2.9 |
| Public Administration | (4.1) | 1.9 | 2.4 | 3.8 | 3.5 |
| Community & Other Services | 3.6 | 3.5 | 2.1 | 2.7 | 2.7 |
| Less imputed bank service charges | 1.8 | (0.3) | 10.1 | 18.8 | 2.6 |

Source: Central Statistical Office

* Figures in Table 3 may not reflect these percentages due to rounding

## Table 5: GDP by Expenditure in Current Prices

| | 1997 | 1998 | 1999 | 2000 | 2001 |
|---|---|---|---|---|---|
| GDP in $mn | | | | | |
| Govt. final consumption expenditure | 209.5 | 219.1 | 224.5 | 246.2 | 263.0 |
| Private final consumption expenditure | 821.8 | 850.0 | 883.7 | 1,109.8 | 1,140.8 |
| Gross capital formation | 289.8 | 305.5 | 407.3 | 501.5 | 512.0 |
| Exports: goods & services | 662.6 | 666.2 | 834.5 | 896.6 | 887.3 |
| Imports: goods & services | 749.2 | 781.6 | 974.0 | 1,208.1 | 1,193.2 |
| Net Exports | (86.6) | (115.4) | (139.5) | (311.5) | (305.9) |
| Domestic Savings | 203.2 | 190.1 | 267.8 | 190.0 | 206.1 |
| **GDP market prices** | **1,234.5** | **1,259.2** | **1,376.0** | **1,546.0** | **1,609.9** |
| | | | | | |
| Percent Distribution of GDP | | | | | |
| Govt. final consumption expenditure | 17.0 | 17.4 | 16.3 | 15.9 | 16.3 |
| Private final consumption expenditure | 66.6 | 67.5 | 64.2 | 71.8 | 70.9 |
| Gross capital formation | 23.5 | 24.3 | 29.6 | 32.4 | 31.8 |
| Exports: goods & services | 53.7 | 52.9 | 60.6 | 58.0 | 55.1 |
| Imports: goods & services | 60.7 | 62.1 | 70.8 | 78.1 | 74.1 |
| Net Exports | (7.0) | (9.2) | (10.1) | (20.1) | (19.0) |
| Domestic Savings | 16.5 | 15.1 | 19.5 | 12.3 | 12.8 |
| **GDP market prices** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** |

Source: Central Statistical Office

## Table 6: GDP by Expenditure in Constant 1984 Prices

| | 1997 | 1998 | 1999 | 2000 | 2001 |
|---|---|---|---|---|---|
| GDP in $mn | | | | | |
| Govt. final consumption expenditure | 147.3 | 155.2 | 161.0 | 175.5 | 185.4 |
| Private final consumption expenditure | 501.5 | 537.3 | 473.2 | 596.7 | 498.8 |
| Gross capital formation | 203.6 | 216.4 | 292.1 | 357.4 | 361.0 |
| Exports: goods & services | 561.3 | 555.1 | 722.0 | 787.2 | 907.3 |
| Imports: goods & services | 526.5 | 553.7 | 698.4 | 861.1 | 841.3 |
| Net Exports | 34.8 | 1.4 | 23.6 | (73.9) | 66.0 |
| Domestic Savings | 238.4 | 217.8 | 315.6 | 283.5 | 427.0 |
| **GDP market prices** | **887.2** | **910.3** | **949.8** | **1,055.7** | **1,111.3** |
| | | | | | |
| Percent Distribution of GDP | | | | | |
| Govt. final consumption expenditure | 16.6 | 17.0 | 16.9 | 16.6 | 16.7 |
| Private final consumption expenditure | 56.5 | 59.0 | 49.8 | 56.5 | 44.9 |
| Gross capital formation | 22.9 | 23.8 | 30.8 | 33.9 | 32.5 |
| Exports: goods & services | 63.3 | 61.0 | 76.0 | 74.6 | 81.6 |
| Imports: goods & services | 59.3 | 60.8 | 73.5 | 81.6 | 75.7 |
| Net Exports | 3.9 | 0.2 | 2.5 | (7.0) | 5.9 |
| Domestic Savings | 26.9 | 23.9 | 33.2 | 26.9 | 38.4 |
| **GDP market prices** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** |

Source: Central Statistical Office

## Table 7: Net Domestic Credit

$mn

| | Position as at | | | Changes During |
|---|---|---|---|---|
| | Dec-99 | Dec-00 | Dec-01 | 2001 |
| Total Credit to Central Government | 147.9 | 149.9 | 166.1 | 16.2 |
| From Central Bank | 67.8 | 62.7 | 78.2 | 15.5 |
| Loans and Advances | 42.0 | 45.0 | 65.5 | 20.5 |
| Gov't Securities | 25.8 | 17.7 | 12.7 | (5.0) |
| From Commercial Banks | 80.1 | 87.2 | 87.9 | 0.7 |
| Loans and Advances | 2.0 | 1.0 | - | (1.0) |
| Gov't Securities | 78.1 | 86.2 | 87.9 | 1.7 |
| Less Central Government Deposits | 30.4 | 107.9 | 39.6 | (68.3) |
| With Central Bank | 25.9 | 91.9 | 31.5 | (60.4) |
| With Commercial Banks | 4.5 | 16.0 | 8.1 | (7.9) |
| Net Credit to Central Government | 117.5 | 42.0 | 126.5 | 84.5 |
| Plus Credit to Other Public Sector | 7.5 | 94.5 | 97.0 | 2.5 |
| From Central Bank | 1.0 | 84.2 | 84.0 | (0.2) |
| From Commercial Banks | 6.5 | 10.3 | 13.0 | 2.7 |
| Plus Credit to the Private Sector | 649.4 | 686.1 | 778.4 | 92.3 |
| Loans and Advances | 646.8 | 684.6 | 775.9 | 91.3 |
| Securities | 2.6 | 1.5 | 2.5 | 1.0 |
| Net Domestic Credit of the Banking System | 774.4 | 822.6 | 1,001.9 | 179.3 |

## Table 8: Gross Imports (cif) by SITC Categories

$mn

| | 1997 | 1998 | 1999 | 2000 | 2001 |
|---|---|---|---|---|---|
| Food and Live Animals | 90.4 | 99.3 | 107.1 | 114.3 | 121.2 |
| Beverages and Tobacco | 18.4 | 9.8 | 11.0 | 7.9 | 8.5 |
| Crude Materials | 2.8 | 3.8 | 5.4 | 7.7 | 11.1 |
| Fuels and Lubricants | 77.6 | 70.5 | 125.9 | 165.8 | 163.7 |
| Of which electricity | 3.8 | 2.4 | 7.2 | 15.0 | 18.0 |
| Animal and Vegetable Oils | 3.8 | 3.6 | 3.8 | 3.9 | 3.1 |
| Chemicals | 62.6 | 63.3 | 73.1 | 91.0 | 72.0 |
| Manufactured Goods | 105.0 | 113.5 | 113.1 | 161.2 | 148.5 |
| Machinery and Transport Equipment | 147.8 | 152.2 | 200.4 | 256.9 | 249.4 |
| Miscellaneous Manufactured Goods | 64.4 | 75.1 | 86.5 | 91.3 | 99.0 |
| Commodities not classified elsewhere | 7.2 | 3.9 | 20.2 | 9.1 | 24.5 |
| Total | 580.0 | 595.0 | 746.5 | 909.1 | 900.9 |
| CFZ Direct Imports | 22.2 | 25.8 | 73.8 | 126.3 | 132.7 |
| Grand Total | 602.2 | 620.8 | 819.5 | 1,035.4 | 1,033.6 |

Sources: Central Statistical Office; Central Bank of Belize

## Table 9: Balance Of Payments Summary

$mn

| | 1999 | 2000 | 2001 |
|---|---|---|---|
| **CURRENT ACCOUNT** | **(146.2)** | **(303.2)** | **(339.0)** |
| Goods: Exports f.o.b. | 527.2 | 576.9 | 538.2 |
| Goods: Imports f.o.b. | (732.3) | (923.2) | (921.1) |
| Trade Balance | (205.1) | (346.4) | (382.9) |
| Services: Credit | 307.3 | 319.6 | 349.1 |
| Transportation | 17.1 | 21.6 | 22.4 |
| Travel | 211.2 | 235.5 | 239.7 |
| Other Goods & Services | 41.3 | 26.8 | 39.5 |
| Gov't Goods & Services | 37.7 | 35.6 | 47.5 |
| Services: Debit | (241.7) | (284.9) | (272.1) |
| Transportation | (87.3) | (109.7) | (107.4) |
| Travel | (72.4) | (81.0) | (76.6) |
| Other Goods & Services | (66.7) | (76.6) | (71.2) |
| Gov't Goods & Services | (15.3) | (17.6) | (16.9) |
| Balance on Goods & Services | (139.4) | (311.7) | (305.9) |
| Income: Credit | 9.6 | 18.3 | 22.2 |
| Compensation of Employees | 3.7 | 4.1 | 4.0 |
| Investment Income | 6.0 | 14.2 | 18.2 |
| Income: Debit | (93.0) | (127.3) | (152.4) |
| Compensation of Employees | (12.9) | (18.9) | (23.6) |
| Investment Income | (80.1) | (108.5) | (128.8) |
| Balances on Goods, Services & Income | (222.7) | (420.7) | (436.1) |
| Current Transfers, n.i.e.: Credit | 81.2 | 120.1 | 100.9 |
| Current Transfers: Debit | (4.7) | (2.7) | (3.9) |
| **CAPITAL ACCOUNT, n.i.e.** | **5.5** | **3.1** | **1.8** |
| Capital Account, n.i.e.: Credit | 9.1 | 4.5 | 4.1 |
| Capital Account: Debit | (3.6) | (1.4) | (2.3) |
| **FINANCIAL ACCOUNT, n.i.e.** | **192.7** | **408.4** | **287.3** |
| Direct Investment Abroad | - | - | - |
| Direct Investment in Reporting Economy, n.i.e. | 99.6 | 38.8 | 80.5 |
| Portfolio Investment Assets | - | - | - |
| Portfolio Investment Liabilities, n.i.e. | 77.0 | 226.3 | (35.9) |
| Other Investment Assets | (29.1) | (103.0) | (32.2) |
| Other Investment Liabilities | 45.2 | 246.3 | 274.8 |
| **NET ERRORS & OMISSIONS** | **2.5** | **(4.9)** | **28.9** |
| **OVERALL BALANCE** | **54.5** | **103.3** | **(21.0)** |

## Table 10: Government of Belize - Revenue and Expenditure

$'000

| | Fiscal Year 2000/2001 | Estimated Budget 2001/2002 | Jan-Dec 1999 | Jan-Dec 2000 | Jan-Dec 2001 |
|---|---|---|---|---|---|
| **TOTAL REVENUE & GRANTS (1+2+3)** | **434,273** | **414,722** | **415,005** | **415,973** | **450,852** |
| 1).Current revenue | 338,790 | 350,218 | 327,086 | 349,796 | 364,256 |
| Tax revenue | 296,677 | 309,944 | 266,541 | 286,576 | 322,253 |
| Income and profits | 76,320 | 81,505 | 63,680 | 74,149 | 77,626 |
| Taxes on property | 2,167 | 3,333 | 1,962 | 2,036 | 2,641 |
| Taxes on goods and services | 101,849 | 101,752 | 81,560 | 99,863 | 107,397 |
| Int'l trade and transactions | 116,341 | 123,354 | 109,272 | 110,528 | 134,589 |
| Other | 0 | | 10,067 | 0 | 0 |
| Non-Tax Revenue | 42,113 | 40,274 | 60,545 | 63,220 | 42,003 |
| Property income | 2,039 | 7,000 | 4,299 | 2,039 | 1,777 |
| Contributions to pension fund | 445 | 484 | 391 | 411 | 105 |
| Transfers from NFPE's | 500 | 500 | 8,250 | 5,411 | 500 |
| Extrabudgetary revenue | 0 | 0 | 1,661 | 625 | 0 |
| Other | 39,129 | 32,290 | 45,944 | 54,734 | 39,621 |
| 2). Capital revenue | 71,641 | 57,000 | 71,454 | 49,167 | 73,833 |
| 3). Grants | 23,842 | 7,504 | 16,465 | 17,010 | 12,763 |
| **TOTAL EXPENDITURE (1+2)** | **529,796** | **452,581** | **444,088** | **555,838** | **581,132** |
| 1). Current Expenditure | 297,371 | 309,552 | 278,774 | 308,367 | 333,478 |
| Wages and Salaries | 151,698 | 158,384 | 146,448 | 152,510 | 162,197 |
| Pensions | 17,787 | 20,243 | 18,648 | 20,731 | 22,594 |
| Goods and Services | 60,756 | 56,497 | 57,331 | 72,698 | 66,839 |
| Interest Payments on Public Debt | 41,577 | 46,908 | 28,894 | 36,403 | 53,683 |
| Subsidies & current transfers | 25,553 | 27,520 | 27,453 | 26,025 | 28,166 |
| 2). Capital Expenditure | 232,425 | 143,029 | 165,314 | 247,471 | 247,654 |
| Capital II (local sources) | 54,447 | 61,548 | 69,311 | 69,420 | 83,500 |
| Capital III (foreign sources) | 177,978 | 78,932 | 91,249 | 178,051 | 164,154 |
| of which Hurricane ERF | 52,896 | | 0 | 20,272 | 53,880 |
| Capital Transfer | 0 | 2,549 | 4,754 | 0 | 0 |
| **CURRENT BALANCE** | **41,419** | **40,666** | **48,312** | **41,429** | **30,778** |
| **OVERALL BALANCE** | **(95,523)** | **(37,859)** | **(29,083)** | **(139,865)** | **(130,280)** |
| balance excluding Hurricane ERF | (42,627) | (37,859) | (29,083) | (119,593) | (76,400) |
| **FINANCING** | **95,523** | **37,859** | **29,083** | **139,865** | **130,280** |
| Domestic Financing | (102,971) | (3,834) | (4,226) | (73,955) | 58,452 |
| Central Bank | (102,113) | | (31,606) | (68,606) | 75,868 |
| Net Borrowing | (63) | | (27,189) | (5,060) | 15,470 |
| Change in Deposits | (102,050) | | (4,417) | (63,546) | 60,398 |
| Commercial Banks | (1,658) | | 26,288 | (4,415) | 8,927 |
| Net Borrowing | 2,346 | | 21,722 | 7,004 | 756 |
| Change in Deposits | (4,004) | | 4,566 | (11,419) | 8,171 |
| Other Domestic Financing | 800 | | 1,092 | (934) | (26,343) |
| Financing Abroad | 198,858 | 44,568 | 38,494 | 213,504 | 72,077 |
| Disbursements | 257,359 | 71,428 | 69,240 | 270,842 | 140,366 |
| Amortization | (55,702) | (33,104) | (30,421) | (54,756) | (54,331) |
| Sinking Fund & JCF | (2,799) | 6,244 | (325) | (2,582) | (13,958) |
| Other | (364) | | (5,185) | 316 | (249) |

Sources: Ministry of Finance
Central Bank of Belize

. Funds to DFC treated as deposits, and loans for dredging and soya bean assumed by Port and DFC, respectively

## Table 11: Central Government's Domestic Debt

$'000

| | Disbursed Outstanding Debt 31/12/00 | Transactions During 2001 Disbursement/ New Issues of Securities | Amortization/ Reduction in Securities | Interest Payment | Net Change in Overdraft/ Securities | Disbursed Outstanding Debt 31/12/01 |
|---|---|---|---|---|---|---|
| Overdraft | 45,987 | - | - | 6,441 | 19,516 | 65,503 |
| Central Bank | 45,000 | - | - | 6,441 | 20,473 | 65,473 |
| Commercial Banks | 987 | - | - | - | (957) | 30 |
| | | | | | | |
| Treasury Bills | 70,000 | - | - | 5,337 | - | 70,000 |
| Central Bank | 5,495 | - | - | 80 | (5,000) | 495 |
| Commercial Banks | 62,862 | - | - | 4,535 | 1,713 | 64,575 |
| Other | 1,643 | - | - | 722 | 3,287 | 4,930 |
| | | | | | | |
| Treasury Notes * | 24,000 | - | - | 2,160 | - | 24,000 |
| Commercial Banks | 23,269 | - | - | 2,094 | - | 23,269 |
| Other | 731 | - | - | 66 | - | 731 |
| | | | | | | |
| Defence Bonds | 15,000 | - | - | 1,250 | - | 15,000 |
| Central Bank | 10,000 | - | - | 800 | - | 10,000 |
| Commercial Banks | 100 | - | - | 9 | - | 100 |
| Other | 4,900 | - | - | 441 | - | 4,900 |
| | | | | | | |
| Debentures | 6,200 | - | - | 222 | - | 6,200 |
| Central Bank | 2,170 | - | - | 217 | - | 2,170 |
| Other | 4,030 | - | - | 5 | - | 4,030 |
| | | | | | | |
| Loans | 14,846 | 17,169 | 1,416 | 834 | - | 30,599 |
| BBL (Land Purchase) | 1,000 | - | 1,000 | 60 | - | - |
| DFC (Debt Restructuring) | 9,720 | - | 398 | 717 | - | 9,322 |
| BSSB (Housing) | 724 | - | 3 | 14 | | 721 |
| BBL (Cohune Walk) | 3,402 | - | 15 | 43 | - | 3,387 |
| GOB/US Debt Swap | - | 17,169 | - | - | - | 17,169 |
| | | | | | | |
| TOTAL | 176,033 | 17,169 | 1,416 | 16,244 | 19,516 | 211,302 |

R = Revised
P = Provisional
* Since October of 1998 Treasury Notes are being subscribed to in $US and are considered as part of Foreign Liabilities. However interest is still paid in local currency.

## Table 12: Public Sector External Debt by Creditors

$'000

| | Disbursed Outstanding Debt 31/12/00 | Transactions During 2001 Disbursement | Amortization | Interest & Other Charges | Valuation Adjustments | Disbursed Outstanding Debt 31/12/01 |
|---|---|---|---|---|---|---|
| **CENTRAL GOVERNMENT** | **623,763** | **140,366** | **54,331** | **42,074** | **(871)** | **675,341** |
| Caribbean Development Bank | 50,863 | 1,663 | 879 | 2,132 | (7) | 36,408 |
| European Economic Community | 15,797 | - | 253 | 125 | (333) | 15,211 |
| Int'l Bank for Reconstruction Dev. | 55,280 | 11,362 | 4,362 | 4,323 | 1 | 62,281 |
| Int'l Fund for Agricultural Dev. | 2,034 | 348 | 241 | 87 | (20) | 2,121 |
| Gov't of United Kingdom | 26,723 | - | 4,225 | - | (500) | 21,998 |
| Gov't of Trinidad and Tobago | 38 | - | 3 | 1 | - | 35 |
| Gov't of United States of America^^ | 31,219 | - | 2,277 | 799 | - | 11,773 |
| Suppliers Credit | 34,453 | 6,855 | 6,965 | 2,611 | - | 33,711 |
| OPEC Fund for International Dev. | 3,814 | 806 | 367 | 210 | - | 4,253 |
| Instituto Nazionale di Credito | 3,964 | - | 3,964 | 209 | - | - |
| Government of China | 348 | - | 58 | - | - | 290 |
| Republic of China | 123,420 | 24,933 | 5,733 | 6,101 | - | 142,620 |
| Deutsche Bank of Germany | 6,525 | - | 1,305 | 392 | - | 5,220 |
| Fondo de Inversiones - Venezuela | 4,833 | - | 1,253 | 271 | - | 3,580 |
| Inter-American Development Bank | 32,122 | 36,571 | - | 1,030 | - | 68,693 |
| Government of Spain | 1,413 | - | - | - | (30) | 830 |
| Government of Kuwait | 10,018 | 1,149 | 1,091 | 430 | 18 | 10,094 |
| Citicorp Merchant Bank Ltd. | 20,000 | - | 2,857 | 1,978 | - | 17,143 |
| Citibank of Trinidad | 24,000 | - | 1,714 | 2,373 | - | 22,286 |
| Provident Bank & Trust | 22,536 | 472 | 341 | 2,005 | - | 22,667 |
| Salomon Smith Barney | 52,030 | - | - | 5,384 | - | 52,030 |
| Royal Merchant Bank | 97,853 | - | 6,143 | 11,212 | - | 91,710 |
| All First Bank of Maryland | 4,480 | 1,907 | - | 401 | - | 6,387 |
| International Bank of Miami | - | 54,300 | 10,300 | - | - | 44,000 |
| **REST OF NON-FINANCIAL PUBLIC SECTOR** | **39,517** | **16,706** | **4,701** | **2,260** | **7** | **39,604** |
| Caribbean Development Bank | 11,592 | - | 1,273 | 356 | (10) | 5,174 |
| CIBC Bank & Trust Co. | 8,985 | - | 1,046 | 989 | - | 7,939 |
| Government of Kuwait | 10,424 | - | 656 | 420 | 17 | 9,785 |
| Amtrade of Georgia | 8,516 | - | 1,726 | 346 | - | - |
| KBC Bank** | - | 16,706 | - | 149 | - | 16,706 |
| **FINANCIAL PUBLIC SECTOR** | **184,084** | **62,783** | **11,309** | **15,777** | **(469)** | **235,089** |
| Caribbean Development Bank | 45,463 | 3,222 | 1,796 | 2,236 | (6) | 46,883 |
| European Economic Community | 5,747 | - | 555 | 217 | (88) | 5,104 |
| Paine Webber | 2,600 | - | 100 | 74 | - | 2,500 |
| Gov't of United States of America | 3,638 | - | 358 | 106 | - | 3,280 |
| Export/Import Bank of Taiwan | - | - | - | - | - | - |
| Citicorp Merchant Bank Ltd. | 10,000 | - | 1,250 | 840 | - | 8,750 |
| Citibank Trinidad & Tobago | 28,000 | - | 7,250 | 2,808 | - | 20,750 |
| International Bank of Miami | 64,000 | 40,000 | - | 7,992 | - | 104,000 |
| Deutsche Bank of Germany | 14,636 | 11,521 | - | 1,005 | (375) | 25,782 |
| Provident Bank & Trust | 10,000 | - | - | 499 | - | 10,000 |
| CommerzBank/New Holland** | - | 8,040 | - | - | - | 8,040 |
| **TOTAL** | **847,364** | **219,855** | **70,341** | **60,111** | **(1,333)** | **950,034** |

Effective 31 March 2001, WASA loans were reclassified as private sector debe as a result of its full privatization. However, its outstanding external debt of $28.4mn remains a contingent liability of Central Government.

^^ USAID Debt for Nature Swap Agreement as at 2 August 2001, was implemented on 30 November 2001, for $17.2mn.

** Loans by KBC Bank (dredging) and CommerzBank/New Holland (soya bean) have been assumed by the Port Authority and DFC, respectively

# AUDITOR'S REPORT

## CENTRAL BANK OF BELIZE

## 2001 FINANCIAL STATEMENTS

## CONTENTS

KPMG

Chartered Accountants

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

We have audited the accompanying balance sheet of Central Bank of Belize as of 31 December 2001, and the related statements of income and cash flows for the year 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 audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit 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 audit provides 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 at 31 December 2001, and the results of its operations and its cash flows for the year then ended in conformity with International Accounting Standards and the Central Bank of Belize Act.

KPMG

17 April 2002

**CENTRAL BANK OF BELIZE**
**BALANCE SHEET AS AT 31 DECEMBER 2001**

In Belize dollars.

| ASSETS | NOTES | 2001 | 2000 |
|---|---|---|---|
| **APPROVED EXTERNAL ASSETS** | | | |
| Balances and deposits with foreign bankers and Crown Agents | | 160,592,042 | 188,194,220 |
| Reserve Tranche and balances with the International Monetary Fund | 5 | 14,031,965 | 14,109,668 |
| Other foreign credit instruments | | 31,940,000 | 24,399,999 |
| Accrued interest and cash intransit | 2e | 859,022 | 1,571,027 |
| | 4b, c | 207,423,029 | 228,274,914 |
| BELIZE GOVERNMENT SECURITIES | 6 | 12,683,019 | 17,685,232 |
| BELIZE GOVERNMENT CURRENT ACCOUNT | 7 | 61,274,654 | 43,223,350 |
| LOANS TO PUBLIC SECTOR | 8 | 84,000,000 | 84,187,500 |
| BALANCES WITH LOCAL BANKERS AND CASH ON HAND | | 109,678 | 68,699 |
| OTHER ASSETS | 9 | 5,301,665 | 4,857,085 |
| PROPERTY AND EQUIPMENT | 2a, 10 | 31,134,464 | 31,237,223 |
| TOTAL ASSETS | | 401,926,509 | 409,534,003 |

The accompanying notes form an integral part of these financial statements.

**CENTRAL BANK OF BELIZE**
**BALANCE SHEET AS OF 31 DECEMBER 2001 (CONT'D)**

In Belize dollars.

| **LIABILITIES, CAPITAL AND RESERVES** | **NOTES** | **2001** | **2000** |
|---|---|---|---|
| DEMAND LIABILITIES | | | |
| Notes and coins in circulation | | 125,280,374 | 115,175,167 |
| Deposits by licensed financial institutions | 11 | 80,718,126 | 76,341,258 |
| Deposits by and balance due to Government and Public Sector Entities in Belize | | 64,942,478 | 81,018,003 |
| Deposits by international agencies | 12 | 2,315,732 | 1,449,693 |
| | | 273,256,710 | 273,984,121 |
| BALANCES DUE TO CARICOM CENTRAL BANKS | | 622,197 | 224,065 |
| OTHER LIABILITIES | 13 | 3,989,105 | 4,253,024 |
| COMMERCIAL BANK DISCOUNT FUND | 14 | 1,945,946 | 1,744,968 |
| BELIZE CREDIT FACILITY | 15 | 6,427,720 | 5,609,425 |
| LOAN PAYABLE TO FOREIGN INSTITUTION | 16 | 81,500,000 | 84,000,000 |
| CONSTRUCTION BONDS | 17 | 12,000,000 | 18,000,000 |
| **TOTAL LIABILITIES** | | 379,741,678 | 387,815,603 |
| REVALUATION ACCOUNT | 2(c),19 | - | - |
| CAPITAL ACCOUNT | | | |
| Paid up capital (Authorized capital $10,000,000) | | 10,000,000 | 10,000,000 |
| GENERAL RESERVE FUND | 18 | 12,184,831 | 11,718,400 |
| TOTAL LIABILITIES, CAPITAL AND RESERVES | | 401,926,509 | 409,534,003 |

____________________ ) GOVERNOR
)
____________________ ) DIRECTOR
)
____________________ ) DEPUTY GOVERNOR OPERATIONS

The accompanying notes form an integral part of this financial statement.

**CENTRAL BANK OF BELIZE**
**STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2001**

In Belize dollars.

| | NOTES | 2001 | 2000 |
|---|---|---|---|
| **INCOME** | | | |
| Interest | | | |
| Approved external assets | | 12,496,037 | 9,727,945 |
| Advances to government | | 6,390,797 | 5,439,823 |
| Local securities | 2d | 1,019,755 | 1,017,000 |
| Loans to statutory bodies | | 5,949,401 | 2,376,961 |
| | | 25,855,990 | 18,561,729 |
| Discounts on local securities | | 7,474 | 159,568 |
| Commission and other income | | 1,769,522 | 2,476,230 |
| TOTAL INCOME | | 27,632,986 | 21,197,527 |
| LESS: Interest expense | | (14,471,156) | (10,075,832) |
| Income from operations | | 13,161,830 | 11,121,695 |
| **EXPENDITURE** | | | |
| Printing of notes and minting of coins | 2b,h | (1,008,735) | (929,568) |
| Salaries and wages, including superannuation contributions and gratuities | 20 | (4,032,096) | (3,825,600) |
| Depreciation | | (796,090) | (603,271) |
| Administrative and general | | (2,084,717) | (3,035,099) |
| Total expenditure | | (7,921,638) | (8,393,538) |
| **NET PROFIT** | | 5,240,192 | 2,728,157 |
| Transfer to revaluation account in accordance with section 49 of the Act | | (575,882) | (754,102) |
| **NET PROFIT TRANSFERABLE TO THE GENERAL RESERVE FUND AND CONSOLIDATED FUND** | | 4,664,310 | 1,974,055 |
| Transfer to general reserve fund in accordance with Section 9(1) of the Act | 18 | (466,431) | (197,405) |
| Balance credited to the accountant general for the consolidated revenue fund | | 4,197,879 | 1,776,650 |

The accompanying notes form an integral part of these financial statements.

**CENTRAL BANK OF BELIZE**
**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2001**

In Belize dollars.

| | 2001 | 2000 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| Net profit transferred to the general reserve and consolidated fund | 466,431 | 197,406 |
| Adjustments to reconcile net profit to net cash provided by operating activities: | | |
| Depreciation | 796,090 | 603,271 |
| Changes in assets and liabilities that provided (used) cash: | | |
| Other assets | (444,582) | (583,327) |
| Other liabilities | (263,919) | 1,075,474 |
| Revaluation account | - | (92,686) |
| Loss/(gain) on disposal | (1,198) | - |
| Net cash provided by operating activities | 552,822 | 1,200,138 |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | |
| Belize Government current account | (18,051,304) | (3,296,764) |
| Loans to public sector | - | (83,187,500) |
| Repayment of loans by public sector | 187,500 | - |
| Acquisition of property and equipment | (692,132) | (189,192) |
| Reserve Tranche in the IMF | 398,901 | 587,090 |
| Construction bonds | (6,000,000) | (6,000,000) |
| Belize Government securities | (18,000) | 10,000 |
| Net cash (used in) investing activities | (24,175,035) | (92,076,366) |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | |
| Notes and coins in circulation | 10,105,207 | 11,423,892 |
| Deposits by licensed financial institutions | 4,376,868 | 42,015,595 |
| Deposits by and balances due to Governments and Public Sector Entities | (16,075,525) | 46,687,396 |
| Deposits by International Agencies | 866,039 | (298,625) |
| Balances due to Caricom Central Banks | 398,132 | (101,889) |
| Commercial Bank Discount Fund | 200,978 | 345,345 |
| Belize Credit Facility | 818,295 | 881,313 |
| Loans payable to foreign institutions | - | 83,375,000 |
| Loan repayments made to foreign institutions | (2,500,000) | - |
| Net cash (used in) provided by financing activities | (1,810,006) | 184,328,027 |

The accompanying notes form an integral part of these financial statements.

**CENTRAL BANK OF BELIZE**
**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2001 (CONT'D)**

In Belize dollars.

| | 2001 | 2000 |
|---|---|---|
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | (25,432,219) | 93,451,799 |
| **CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR** | 222,868,539 | 129,416,740 |
| **CASH AND CASH EQUIVALENTS, END OF YEAR** | 197,436,320 | 222,868,539 |
| **CASH AND CASH EQUIVALENTS COMPRISE THE FOLLOWING:** | | |
| **EXTERNAL ASSETS:** | | |
| Balances and deposits with foreign bankers and Crown Agents | 160,592,042 | 188,194,220 |
| Other foreign credit instruments | 31,940,000 | 24,399,999 |
| Accrued interest and cash intransit | 859,022 | 1,571,027 |
| Balance with the International Monetary Fund | 3,440,560 | 3,119,362 |
| | 196,831,624 | 217,284,608 |
| **LOCAL ASSETS:** | | |
| Cash and bank balances | 109,677 | 68,699 |
| Government of Belize Treasury Bills | 495,019 | 5,515,232 |
| | 197,436,320 | 222,868,539 |

The accompanying notes form an integral part of these financial statements.

In Belize dollars.

## 1. ORGANIZATION

The 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 regard to the exchange rate, and to promote banking, credit and exchange conditions conducive to the growth of the economy of Belize.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Property, plant and equipment, depreciation and amortization -

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

Depreciation is charged at the following rates:

| | |
|---|---|
| Building and improvements | 1%, 5% |
| Office furniture | 10%, 20% |
| Equipment | 10%, 20% |
| Vehicles | 20% |

b. Sale of special coins -

Special coins, which are minted or packaged as collector items, are legal tender. However, no liability is recorded in respect of these 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 the balance sheet date are translated at the rates of exchange ruling at that date.

In Belize dollars.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

c. Foreign currency translation and exchange gains and losses –

ii. Income and expenses

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

iii. Revaluation

Section 49 of the Act stipulates that gains or losses from any revaluation of the Bank's net assets or liabilities in gold, special drawings 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 credited in a special account called Revaluation Account. However, no profits shall first be carried to the General Reserve Fund or paid to the Government under Section 9 (see Note 19) whenever the Revaluation Account shows a net loss. Such profits shall first be credited to the Revaluation Account in an amount sufficient to cover the loss.

d. Valuation of securities -

Securities are stated at the 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. 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.

In Belize dollars.

g. Taxation -

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

## 3. INTEREST ON CENTRAL BANK BUILDING CONSTRUCTION BONDS

Interest is payable semi-annually on the Bank's Construction Bonds, and is charged against the annual earnings of the Bank. (See Note 17).

## 4. CENTRAL BANK OF BELIZE ACT SECTION 5 COMPLIANCE

Section 5 of the Act stipulates that:

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; and

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.

c. At 31 December 2001 and 2000 total approved external assets approximated 76 percent and 83 percent of such liabilities respectively.

## 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 31 December 2001, Belize's subscriptions to the International Monetary Fund amounted to SDR 18,800,000 and the Bank's Reserve Tranche amounted to SDR 4,238,690. The Reserve Tranche which earns interest is included in approved external assets in the financial statements at the exchange rate of BZ$2.51124 to SDR 1.0 at 31 December 2001 (2000 - BZ$2.60582 to SDR 1.0).

In Belize dollars.

## 6. BELIZE GOVERNMENT SECURITIES

| Belize Government securities consist of: | **2001** | **2000** |
|---|---|---|
| Treasury Bills | 495,019 | 5,515,232 |
| Debentures | 2,170,000 | 2,170,000 |
| Treasury Notes | 18,000 | - |
| Belize Defense Bonds | 10,000,000 | 10,000,000 |
| | 12,683,019 | 17,685,232 |

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 31 December 2001 and 2000 the Bank's aggregate holding of Belize Government securities approximated .57 times and .82 times, respectively, 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 31 December 2001 and 2000 advances to Government represent approximately 90 percent and 64 percent of the authorized limit respectively.

In Belize dollars.

## 8. LOANS TO THE PUBLIC SECTOR

Loans to the public sector comprise the following:

| | 2001 | 2000 |
|---|---|---|
| Loans to Reconstruction and Development Corporation to finance housing construction:- | | |
| 5% p.a. loan due in 16 consecutive semi-annual payments commencing 10 July 1993. | - | 31,250 |
| 5.5% p.a. loan due in 16 consecutive semi-annual payments commencing 10 July 1993. | - | 156,250 |
| Loans to the Development Finance Corporation to finance specified projects as determined by the Minister of Finance. (Note 16):- | | |
| 4% p.a. loan with quarterly payment of interest commencing 24 March 2000 and a bullet payment of principal at maturity on 24 March 2007. | 50,000,000 | 50,000,000 |
| 11% p.a. loan with semi-annual payment of interest, and payment of first installment of principal 18 months after 16 August 2000 and every 6 months thereafter until maturity on 1 November 2005. | 20,000,000 | 20,000,000 |
| Loan to Development Finance Corporation to finance infrastructure projects required due to damage caused by Hurricane Keith: | | |
| 11.9% p.a. loan with semi-annual payment of interest commencing 1 May 2001 and a bullet payment of principal at maturity on 1 November 2012. | 14,000,000 | 14,000,000 |
| | 84,000,000 | 84,187,500 |

These loans are guaranteed by the Government of Belize.

In Belize dollars.

## 9. OTHER ASSETS

At 31 December other assets are made up as follows:

| | 2001 | 2000 |
|---|---|---|
| Inventory – notes and coins (Note 2h) | 1,631,559 | 1,966,057 |
| Prepayments and accrued interest | 2,232,293 | 1,315,443 |
| Accounts receivable | 1,322,681 | 1,504,517 |
| Other | 115,132 | 71,068 |
| | 5,301,665 | 4,857,085 |

## 10. PROPERTY AND EQUIPMENT

Property and equipment consist of:

| | 2001 | 2000 |
|---|---|---|
| Properties and improvements | 29,170,058 | 28,416,802 |
| Furniture | 865,518 | 847,444 |
| Equipment | 3,970,013 | 5,777,095 |
| Vehicles | 253,568 | 283,882 |
| | 34,259,157 | 35,325,223 |
| Less: accumulated depreciation | 3,124,693 | 4,088,000 |
| | 31,134,464 | 31,237,223 |

During 2001, computer equipment and software with an original cost of $1,581,750 and net book value of $1 was written off (2000 – nil). Assets purchased during the year amounted to $692,133 (2000 – nil).

## 11. DEPOSITS BY LICENSED FINANCIAL INSTITUTIONS

Effective April 2000, the cash reserve requirement on time and saving deposits was revised from 5% to 3% of average deposit liabilities, excluding demand deposits.

Under the revised provisions of Section 13 of the Banks and Financial Institutions Act 1995, licensed financial institutions are required to keep on deposit with the Bank an amount equivalent to at least 3% of their average deposit liabilities. These deposits are interest free.

In Belize dollars.

## 12. DEPOSITS BY INTERNATIONAL AGENCIES

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

| | 2001 | 2000 |
|---|---|---|
| Commission of the European Communities | 148,707 | 83,831 |
| International Monetary Fund | 120,369 | 124,902 |
| Caribbean Development Bank | 1,056,035 | 115,524 |
| Inter-American Development Bank | 247,756 | 408,986 |
| International Bank for Reconstruction and Development | 716,450 | 716,450 |
| European Union | 26,415 | - |
| | 2,315,732 | 1,449,693 |

## 13. OTHER LIABILITIES

| | 2001 | 2000 |
|---|---|---|
| Interest payable (including construction bonds) | 1,293,226 | 2,020,462 |
| Severance and gratuities | 555,568 | 495,704 |
| Abandoned property | 832,975 | 721,744 |
| Retention payable | 182,820 | 568,030 |
| Other | 1,124,516 | 447,084 |
| | 3,989,105 | 4,253,024 |

## 14. COMMERCIAL BANK DISCOUNT FUND

Commercial Bank Discount Fund is a facility which was established by an agreement signed in March 1983 by the Government of Belize and the United States of America, providing for a discount fund to be operated through the Bank. The United States Government acting through United States Agency for International Development (USAID) earmarked US $5 million in loan funds up to 30 June 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 the Bank and USAID. In 1993, USAID and the Bank 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 to National Development Foundation of Belize (the Foundation) and Development Finance Corporation (DFC), respectively.

In Belize dollars.

## 14. COMMERCIAL BANK DISCOUNT FUND (CONT'D)

The USAID loan has the following terms:

Interest rate of 2% for the first ten years and 3% thereafter. The loan is repayable 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 31 December 2001, outstanding loans discounted by commercial banks through the facility amounted to $.2 million (2000 - $.4 million) net of repayments, against a total drawdown of $5.7 million (2000 - $5.7 million) from USAID. On that date the amount drawn down by the Foundation was $1.4 million (2000 - $1.4 million) net of repayments and the amount drawn down by DFC was $1.2 million (2000 - $1.5) net of repayments.

## 15. BELIZE CREDIT FACILITY

Under a 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 19 July 1988, the Bank acting as 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 13 March 1989.

## 16. LOAN PAYABLE TO FOREIGN INSTITUTION

Loan payable to foreign institution consists of:

| | **2001** | **2000** |
|---|---|---|
| Due to a foreign institution repayable in 8 installments commencing 4 November 2001 and every 6 months thereafter. Interest accrues at 2.82% per annum above LIBOR for the first 2 years and thereafter at 2% per annum above LIBOR. The loan was negotiated for US$5,000,000 for project financing and is secured by a first-priority charge lien or security interest on a deposit of US$4,000,000 placed by the borrower with the foreign institution. | 8,750,000 | 10,000,000 |

In Belize dollars.

## 16. LOAN PAYABLE TO FOREIGN INSTITUTION (CONT'D)

| | 2001 | 2000 |
|---|---|---|
| Due to a foreign institution repayable in 8 installments commencing 4 November 2001 and every 6 months thereafter. Interest accrues at 2.82% per annum above LIBOR for the first 2 years and thereafter at 2% per annum above LIBOR. The loan was negotiated for project financing and is secured by a first-priority charge, lien or security interest on a deposit of US$4,000,000 placed by the borrower with the foreign institution. | 8,750,000 | 10,000,000 |
| Due to a foreign institution repayable in a bullet payment 7 years after 3 March 2000. Interest accrues on a quarterly basis at the interest rate earned on Certificates of Deposits which aggregate US$25,000,000 plus 3% per annum (9.72% at 31 December 2000). The loan was negotiated for US$25,000,000 for on-lending to the Development Finance Corporation to finance specific projects and is secured by Certificates of Deposits totaling US$ 25,000,000 plus all interest accruing thereon held with the foreign institution. | 50,000,000 | 50,000,000 |
| Due to a foreign institution repayable in a bullet payment 12 years after 31 October 2000. Interest accrues at 11.9% and is due and payable each May 1, and November 1 during the term of the loan. The loan was negotiated for US$7,000,000 to invest in infrastructure and capital improvement projects within Belize and is secured by a promissory note signed by the Bank. | 14,000,000 | 14,000,000 |
| | 81,500,000 | 84,000,000 |

These loans are guaranteed by the Government of Belize.

## 17. CONSTRUCTION BONDS

| | 2001 | 2000 |
|---|---|---|
| $24,000,000 construction bonds secured by a guarantee from the Belize Government. Interest at 11.75% per annum is payable semi-annually. Principal repayable by 8 semi annual installments of US$1,500,000 beginning 15 January 2000. | 12,000,000 | 18,000,000 |

In Belize dollars.

## 18. GENERAL RESERVE FUND

Section 9(1) of the Act provides for the establishment of a General Reserve Fund into which is 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 paid into the Fund.

| | 2001 | 2000 |
|---|---|---|
| Balance at beginning of year | 11,718,400 | 11,520,995 |
| Transfer from profits at 10% | 466,431 | 197,405 |
| Balance at end of year | 12,184,831 | 11,718,400 |

## 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 first be credited to the Revaluation Account in an amount sufficient to cover the loss.

| | 2001 | 2000 |
|---|---|---|
| Balance at beginning of year | - | 92,686 |
| Net gain (loss) on revaluation of Reserve Tranche in the International Monetary Fund | (398,900) | (573,931) |
| Net gain (loss) on revaluations during the year | (176,982) | (272,857) |
| Transfer from profits | 575,882 | 754,102 |
| Balance at end of year (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 $121,548 (2000 - $118,629) 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.

In Belize dollars.

**20. PENSION SCHEME (CONT'D)**

The last actuarial valuation at 31 December 1998 reported the present value of past service liabilities and plan assets at assessed value to be $1,951,000 and $3,025,000, respectively.

Significant actuarial assumptions used in the valuation were:

I. A valuation rate of interest of 7% p.a.

II. A rate of escalation of pensionable salaries of 5% p.a.

III. No allowance for pensions to be increased in course of payments.

**21. FINANCIAL INSTRUMENTS**

The carrying amounts of cash and cash equivalents, and other short-term instruments and obligations at the balance sheet date represent best estimates of fair value because of the relative short-term maturities of these assets and liabilities. Long- term obligations have been contracted at market terms and their carrying amounts approximate fair value to the extent it is practicable to estimate.

**22. CONTINGENCIES**

a) At 31 December 2001, the Bank has a deposit of US$5 million with Provident Bank and Trust of Belize Limited, which collaterizes a loan of equal amount to the Government of Belize and a deposit of US$45 million with International Bank of Miami, which collaterizes a loan of US$25 million, due in 2007, for onlending to Development Finance Corporation and also a loan of US$20 million, due in 2011, which Development Finance Corporation borrowed directly from International Bank of Miami.

b) The Bank has also pledged, on behalf of the Government of Belize, deposits of US$3,981,766 with Citibank (Trinidad and Tobago) Limited to guarantee performance or payment to third parties under outstanding letters of credit, in accordance with specified terms and conditions, amounting to US$3,962,192 as of 31 December 2001.

c) The Bank is contingently liable as cosigner of promissory notes totaling US$22 million in respect of loans of equal amount made by International Bank of Miami to Government of Belize.