CENTRAL BANK OF BELIZE

Annual Report

2004

CENTRAL BANK OF BELIZE

Twenty-third Annual Report & Statement of Accounts

For the Year Ending 31 December 2004

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 Limited
BWSL	Belize Water Services Limited
CARICOM	Caribbean Community and Common Market
CABEI	Central American Bank for Economic Integration
CARTAC	Caribbean Regional Technical Assistance Centre
CMFS	Capital Market Financial Services
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
EDF	European Development Fund
EIB	European Investment Bank
EPZ	Export Processing Zone
EU /EEC	European Union
FOB	Free on Board
FY	Fiscal Year
GDP	Gross Domestic Product
GOB	Government of Belize
IBC	International Business Company
ICC	Innovative Communication Company
IBRD	International Bank for Reconstruction and Development
IDB	Inter-American Development Bank
IFS	International Financial Statistics
IMF	International Monetary Fund
INTELCO	International Telecommunications Company
NICH	National Institute of Culture and History
NFC	Not-From-Concentrate
OECD	Organisation for Economic Cooperation and Development
OECS	Organisation of Eastern Caribbean States
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
TIBoM	International Bank of Miami
UK	United Kingdom
US/USA	United States of America
USAID	United States Agency for International Development
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 2004 in this report are provisional, and the figures for 2003 have been revised.
--Since May of 1976 the Belize dollar has been fixed 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, 2005

Hon. Said Musa
Prime Minister and Minister of Finance
New Administration Building
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, 2004, together with a copy of the Bank's Statement of Accounts, as certified by the External Auditors.

Yours sincerely,

Sydney J. Campbell
Governor

DIRECTORS AND PRINCIPALS

At December 31, 2004

BOARD OF DIRECTORS

SYDNEY CAMPBELL
Governor/Vice Chairman

MARION PALACIO
Deputy Governor

DAVID FONSECA

JAIME BRICEÑO

ROBERT SWIFT

Dr. CARLA BARNETT
Financial Secretary

PRINCIPAL OFFICERS

SYDNEY CAMPBELL
Governor

MARION PALACIO
Deputy Governor

YVETTE ALVAREZ
Deputy Governor, Operations

CAROL HYDE
Manager, Human Resources & Administration

HOLLIS PARHAM
Manager, Finance

MARILYN GARDINER
Manager, Banking & Currency

NERI MATUS
Manager, Financial Sector Supervision

CHRISTINE VELLOS
Manager, Research

KENT HAYLOCK
Chief of Security

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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.

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.

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.
- 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' unions.

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 international bank licenses.
- Supervising and regulating banks and financial institutions through on-site examination and off-site surveillance.
- Processing of applications for large credit exposures under section 21(2) of the Banks and Financial Institutions Act and 21 b (2) of the International Banking Act.
- Promoting and conducting anti money-laundering surveillance of financial institutions licensed under the BFIA.

Research

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

Other 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

	1999	2000	2001	2002	2003	2004
POPULATION AND EMPLOYMENT						
Population (Thousands)	243.0	249.8	257.3	265.2	273.7	282.6
Employed Labour Force (Thousands)	77.8	83.7	85.9	84.7	89.2	95.9
Unemployment Rate (%)	12.8	11.1	9.1	10.0	12.9	11.6
INCOME						
GDP at Current Market Prices ($mn)	1,464.7	1,664.7	1,737.6	1,853.0	1,962.3	2,085.9
Per Capita GDP ($, Current Mkt. Prices)	6,028	6,664	6,753	6,987	7,170	7,381
Real GDP Growth (%)	8.7	13.0	3.9	3.9	9.1	4.2
Sectoral Distribution of Constant 2000 GDP (%)						
Primary Activities	15.3	15.2	14.6	14.1	17.7	18.6
Secondary Activities	16.4	18.1	17.4	17.1	15.1	15.6
Services	68.3	66.7	68.0	68.8	67.2	65.8
MONEY AND PRICES ($mn)						
Inflation (Annual average percentage change)	-1.2	0.6	1.1	2.2	2.6	3.1
Currency and Demand deposits (M1)	255.1	310.2	364.8	358.1	361.1	406.7
Quasi-Money (Savings and Time deposits)	585.1	655.7	676.0	705.3	740.0	841.6
Money Supply (M2)	840.2	965.9	1,040.8	1,063.4	1,101.1	1,248.3
Ratio of M2 to GDP (%)	57.4	58.0	59.9	57.4	56.1	59.8
CREDIT ($mn)						
Commercial Bank Loans and Advances	654.5	695.4	788.5	904.5	1,041.7	1,176.6
Public Sector	8.4	11.1	12.9	15.9	26.2	46.4
Private Sector	646.1	684.3	775.6	888.6	1,015.5	1,130.2
INTEREST RATE (%)						
Weighted Average Lending Rate (WALR)	16.3	15.8	15.4	14.5	14.2	14.0
Weighted Average Deposit Rate	5.7	5.0	4.3	4.5	4.9	5.2
Weighted Average Interest Rate Spread	10.6	10.8	11.1	10.0	9.3	8.8
CENTRAL GOVERNMENT FINANCES ($mn)						
Current Revenue	327.1	349.8	372.1	425.8	422.2	462.0
Current Expenditure	278.8	308.4	333.7	333.4	393.0	468.0
Current Account Surplus(+)/Deficit(-)	48.3	41.4	38.4	92.3	29.1	-6.0
Capital Expenditure	165.3	247.5	267.4	260.3	273.9	180.9
Overall Surplus(+)/Deficit(-)	-29.1	-139.9	-142.4	-68.8	-213.6	-125.3
Ratio of Budget Deficit to GDP at mkt. Prices (%)	-2.0	-8.4	-8.2	-3.7	-10.9	-6.0
Domestic Financing (Net)	-8.6	-74.0	72.7	-220.9	-62.4	-39.4
External Financing (Net)	38.5	213.5	69.8	278.3	276.7	164.9
BALANCE OF PAYMENTS (US $mn)						
Merchandise Exports (f.o.b.)[1]	261.5	281.8	269.1	309.7	315.5	307.0
Merchandise Imports (f.o.b.)[2]	375.8	478.4	477.7	496.9	522.3	480.8
Trade Balance	-114.3	-196.6	-208.7	-187.2	-206.8	-173.9
Remittances (Inflows)	33.5	52.6	41.8	38.1	45.0	40.6
Tourism (inflows)	105.8	116.2	102.9	102.9	117.2	133.0
Services (Net)	47.1	33.7	36.4	26.4	39.6	53.5
Current Account Balance	-67.8	-156.0	-189.9	-182.6	-207.4	-182.4
Capital and Financial Flows	100.4	202.9	173.5	151.7	185.9	133.9
Gross Change in Official International Reserves [3]	-27.2	-51.7	2.7	5.4	30.1	31.3
Gross Official International Reserves	71.1	122.8	120.1	114.7	84.6	53.3
Import Cover of Reserves (in months)	2.1	3.2	3.2	3.2	2.1	1.3
PUBLIC SECTOR DEBT						
Disbursed Outstanding External Debt (US $mn)[4]	252.5	433.7	486.6	574.5	752.9	841.0
Ratio of Outstanding Debt to GDP at Mkt. Prices (%)	34.5	52.1	56.0	62.0	76.7	80.6
External Debt Service Payments (US $mn)	33.7	43.1	68.0	75.2	72.0	91.4
External Debt Service Ratio (%)[5]	8.1	9.8	15.3	15.2	13.6	18.1
Disbursed Outstanding Domestic Debt ($ mn)	171.5	176.0	210.8	174.2	257.8	280.9
Domestic Debt Service Payments ($ mn)	12.2	22.6	17.7	19.2	13.7	18.8

Sources: Ministry of Finance, Central Statistical Office, & the Central Bank of Belize

[1] Includes CFZ gross sales in 1999 to 2001

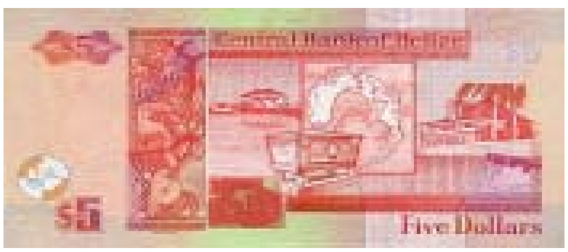
[2] Includes CFZ direct imports in 1999 to 2001

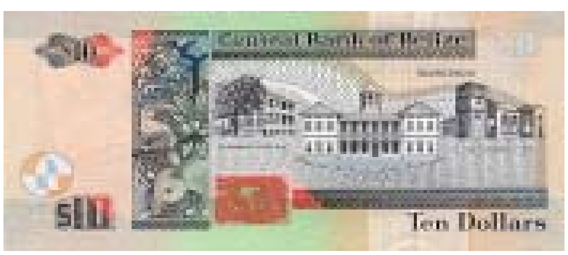
[3] Minus = increase

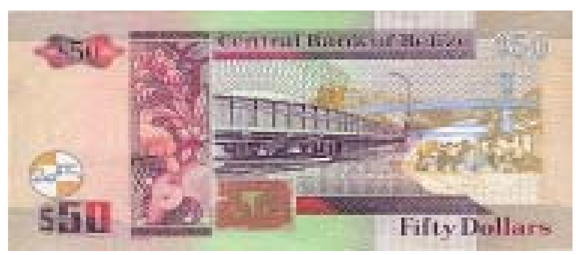
[4] Excludes guaranteed debts

[5] = amounts related to refinancing were excluded

Belize Currency Notes







Economic Overview

Buoyancy in tourism, productivity gains in the primary sector, a resurgence in construction and manufacturing, as well as increases in real estate/ business and financial services generated GDP growth of 4.6% in 2004. Notwithstanding a 5.9% increase in the labour force, the unemployment rate fell from 12.9% to 11.6% largely due to greater activity in the export sector. On the other hand, consumer prices rose by 3.1% with upward pressure being exerted by an increase in the sales tax and higher costs for fuel and other imports.

The external current account deficit declined by 12.9% to $364.9mn (17.6% of GDP) as a reduction in the visible trade deficit and higher inflows from tourism and grants outweighed increased outflows for profits and interest payments. The deficit was financed by foreign direct investment inflows (principally for telecommunications, electricity and tourism) and net withdrawals of $62.7mn from the international reserves. At year-end, gross official international reserves stood at $106.5mn, equivalent to 1.3 months of imports.

Boosted by the proceeds of the Social Security Board's sale of telephone company shares to a foreign investor and a 20.7% expansion in net domestic credit, growth in the broad money supply accelerated to 13.4% with narrow and quasi-money increasing by 12.6% and 13.7%, respectively. The expansion in net credit was shared almost equally between the public and private sectors with funding for transactions involving real estate, the private utilities, construction and the government dominating commercial bank lending. Public sector financing needs were also largely met by the Central Bank, which accounted for 76.4% of the rise in net credit to Central Government as well as 87.2% of new loans to statutory bodies. The robust growth in credit, together with a slow down in financial inflows and higher debt service payments contributed to a 36.1% contraction in the net foreign assets of the banking system.

With official reserves under pressure from strong credit growth plus existing external commitments and the pocket of commercial bank excess statutory liquidity increasing, the Central Bank intervened in the beginning of December by raising commercial bank cash and liquid asset reserve ratios from 6.0% to 7.0% and from 19.0% to 20.0%, respectively. This measure was however subsequently neutralized by monetization of the fiscal deficit and at year-end, excess liquidity stood at $86.3mn, an annual increase of 68.5%. In developments earlier in the year, the Central Bank took steps to improve the transparency of the liquidity calculation by removing residential mortgages from the list of approved liquid assets and simultaneously lowering the statutory reserve requirement from 24.0% to 19.0% effective 1 April to ensure that actual liquidity was not affected. The issue of public sector loans that are also classified as approved liquid assets was left to be addressed at a later date.

Even with substantial levels of excess statutory liquidity, the weighted average spread of the commercial banks narrowed by 60 basis points to 8.8% during the year. While the weighted average lending rate was down by 20 basis points to 14.5%, the deposit rate was bid upward by 30 basis points to 5.2% reflecting the increase in competitive behaviour among the banks that had begun three years earlier with the addition of the fifth commercial bank.

In its fiscal operations during the calendar year, Central Government generated an overall deficit of $125.3mn, a 40.6% improvement as tax revenues rose by 13.3%, boosted by a 1.0% increase in the sale tax and a five-fold increase in grant inflows, while expenditure declined by 2.7% due to lower capital outlays. Financing came mostly from external sources. Additionaly, significant amounts were used for external debt servicing and the re-profiling of some $320.0mn in foreign loans and securitization liabilities.

Greater use of overdraft financing combined with commercial bank loan disbursements caused an 8.5% increase in the Government's domestic debt to $280.9mn (13.6% of GDP). Amortization and interest payments amounted to $1.9mn and $16.8mn, respectively. Meanwhile, the public sector's disbursed outstanding external debt grew by approximately $175.8mn to $1,680.9mn (81.2% of GDP). Disbursements and upward valuation adjustments totaled $433.4mn and $3.5mn, respectively, while principal and interest payments (excluding amounts used on loan re-profiling) amounted to $177.7mn.

The 2005 outlook is for growth of around 3.0% as monetary and fiscal policies are tightened and consumption slackens. Except for sugar, all major export crops are forecasted to expand, while output of livestock and basic grains should remain stable. Particularly strong growth is expected in citrus agro-processing, which will overshadow the contraction in sugar. Much activity is not expected from the utilities while construction will be subject to the offsetting effects of large externally funded projects such as the US Embassy, Chalillo dam and the Carnival port facility and the government's austerity measures. The services sector should see moderate growth in view of the 5% and 10% projected increases in stay over and cruise tourists even as Government activity slackens with the implementation of measures to hold the fiscal deficit at 2.8% of GDP. The one-off impact of new taxes is likely to push the rate of inflation to over 4.0% while unemployment should remain stable in view of the offsetting developments in agriculture, construction and services.

International and Regional Developments

The world economy accelerated from 2.8% in 2003 to an estimated 4.0% during 2004 with every region except South Asia and the Commonwealth of Independent States (CIS) improving. The widespread growth of the developing countries was attributed to the rapid growth of trade in manufactures, increased prices for oil and most non-oil commodities and calmer conditions in international financial markets. Among the developed countries, growth was strong in North America, moderate in Japan and weak in Europe.

The main engines of global growth were the United States and China. With a burgeoning trade deficit in excess of 5.0% of GDP, the US positively influenced trade in manufactured goods, while China's demand for raw materials in its ongoing industrialisation boosted prices for non-oil commodities. While oil prices rose by over 50.0% during the first half of the year, the price push came from increased demand, and not from supply reductions orchestrated by producers.

Notwithstanding oil price increases, inflation was moderate and higher non-oil commodity prices counteracted much of the negative impact of increased energy costs in developing countries. However, growth in employment remained weak, especially in the developed countries, while high rates of unemployment and under-employment persisted in developing countries. International capital markets were calm and foreign direct investment and development assistance flows to developing countries increased. While developing countries reported net financial outflows to developed countries, some of this was for positive reasons such as to boost foreign reserves and pay down external debt.

Developments in Select OECD and Newly Industrialized Countries

Even with higher energy prices and damages from four major hurricanes in the Southeast **United States**, GDP growth accelerated from 2.8% in 2003 to an estimated 4.4% in response to good corporate performance, strong consumer confidence and government deficit spending, especially on defense and homeland security. Increased spending (by government and households) and improvements in business capital formation contributed to a 3.8% boost in industrial production and partly explained the persistently large external current account deficit. Budget and trade deficits along with a slowdown in the flow of private capital into the U.S. further weakened the U.S. dollar, which declined for the third consecutive year. Five successive hikes in interest rates by the Federal Reserve during the year slightly dampened growth to avoid economic overheating and contributed to a moderate inflation of 2.7%, while slower than expected improvement in the labor market reduced employment by only 0.3 percentage points to 5.4%.

Growth in **Britain** is estimated at 3.2% in 2004, fuelled by public sector spending, strong investment, growing consumption and declines in long-term interest rates. As a net oil exporter and the least oil dependent of the G-7 countries, the economy did not falter with the surge in oil prices. Nonetheless, the increase in energy costs did affect the manufacturing sector and industrial production contracted by 1.9%. While the housing market weakened, retail spending was up and unemployment further declined to 4.6% with real incomes rising as inflation was held under control at 1.5%.

Growth in **Japan** is estimated at 3.2% for 2004, even in the presence of persistent deflation that measured negative 0.1%. The corporate sector appears to have emerged more streamlined and profitable as labor flexibility and capital investment increased. The economic expansion was boosted by growth in consumer spending and buoyancy in the export sector arising from the boom in China's import demand. In an attempt to break the deflationary lock hold on the economy, interest rates were maintained at zero and the government continued to run a deficit. At 4.8%, unemployment was at its lowest level in years.

Following on the heels of a desultory export performance in 2003, resurgence in exports was the main contributor to the 2.8% growth in **Canada's** GDP in 2004. The strengthening of global demand and concern for supply disruption drove oil prices well above expectation, resulting in favorable increases in net exports and the appreciation of the Canadian dollar. Vigorous household spending and a substantial rise in business investment further supported the economic expansion as the Bank of Canada lowered the target for the overnight interest rate to 2.0% early in the year to stimulate domestic demand. With the economy operating close to full capacity, this monetary stimulus was reined back in the latter half of the year through several small interest rate hikes, and inflation was held within the 2.0% target. While industrial production was up by 3.7%, unemployment edged downward from 7.4% to 7.3%.

Export led growth and swelling consumer demand

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

Country	GDP Growth Rate (%)		Industrial Production (%)		Inflation Rate (%)		Unemployment Rate (%)	
	2003	2004	2003	2004	2003	2004	2003	2004
United States	2.8	4.4	2.3	3.8	2.3	2.7	6.0	5.4
Canada	1.8	2.8	0.2	3.7	2.8	1.9	7.6	7.3
Taiwan	3.3	5.9	7.1	14.4	-0.3	1.5	5.0	4.4
United Kingdom	1.9	3.2	-0.5	-1.9	1.4	1.5	3.1	4.6
Japan	2.4	3.2	5.7	-1.1	-0.4	-0.1	5.3	4.8

Sources: Economist, Bloomberg, International Financial Statistics resulted in **Taiwan's** economy growing by 5.9% during 2004. A booming global economy, particularly in China, increased demand for manufactured goods and pushed up Taiwan's exports by 21.3%. Strong confidence in the economy boosted private consumption that further fuelled growth. Meanwhile, rising demand for imported raw materials and capital equipment (for private investment projects) coupled with mounting prices of crude oil and raw materials drove up imports by 29.4%. Although the trade surplus contracted to one of its lowest levels in years, the current account of the balance of payments yielded a surplus with the foreign reserves up 12.1% over the first eight months of 2004. With the export boom ratcheting up industrial production by 14.4% up to August 2004, unemployment fell from 5.0% to 4.4% over the same period.

Development in Selected Regional Economies

The Caribbean

Economic activity in the Caribbean was significantly undermined by natural disasters in the latter part of 2004. Hurricanes Ivan, Jeanne, and Frances affected the Bahamas, Grenada, Jamaica, the Dominican Republic, St. Vincent and the Grenadines and St. Lucia, while an earthquake ravaged Dominica in November of 2004. ECLAC estimated the overall damage caused by the social and economic impacts of the hurricanes to be US$5.6bn, of which 48.0% occurred in the social sectors, 33.0% in the production of goods and services, particularly tourism, 16.0% in infrastructure, utilities and transport, and 1.4% in direct environmental impact.

During the first nine months of 2004, the **Barbadian** economy expanded by 3.1%, mostly due to a bumper tourist season with arrivals of stay-over and cruise visitors up 6.2% and 32.5%, respectively. Output in the trade sector rose 3.6% as the stellar performance of tourism eclipsed poor performances in agriculture and manufacturing. Performance of the non-trade sector also rose 2.9%, drawing on positive activity in transportation, storage and communications, merchandising and business services. The surge in overall activities drove unemployment down to 9.9%. However, notwithstanding higher receipts from tourism and exports, a rising import bill coupled with lower net financial inflows caused net international reserves to decline by US$155.7mn to US$595.9mn, equivalent to 27.6 weeks of import cover. At 0.8%, inflation remained modest as the government did not pass the full impact of higher fuel prices onto consumers. Higher tax revenues coupled with reduced capital expenditure enabled a 40.0% reduction in the fiscal deficit to US$69.3mn.

Damage caused by hurricanes Ivan and Charley especially to export crops such as banana, coffee, citrus and cocoa weakened **Jamaica's** growth from 2.3% in the previous year to an estimated 1.5%. Growth was driven by heightened activities in construction, manufacturing and distributive trade. The estimated unemployment rate at the end of October 2004 was 12.8%, while inflation stood at

13.7%, down by 0.4% percentage points from 2003. For the first nine months of the fiscal year (April to December 2004), the overall fiscal deficit was 5.5% of GDP as expenditures increased to facilitate relief and reconstruction efforts while revenue targets were revised downwards. Notwithstanding the dampening of agricultural exports, net international reserves increased by US$693.6mn to US$1.8bn due to increased international borrowing and the receipt of grant funds.

Robust output in the energy sector facilitated by hikes in international fuel prices spurred an estimated 6.2% expansion in **Trinidad & Tobago** during 2004. Adding to the buoyancy was strong performance in such non-energy areas as finance, insurance, real estate, manufacturing, transport, storage and communication. The expansion drove unemployment down from 10.5% in 2003 to 8.6% at the end of September. Inflation measured 3.7%, with much of the cost push exerted by rising food prices. Third quarter estimates showed central government with a fiscal surplus of US$437.1mn or 0.6% of GDP, while the current surplus on the balance of payments was estimated at US$1.4bn. Consequently, net official reserves rose 32.8% to US$2.9bn at year-end. The economic boom and strong fiscal position prompted Standard and Poor's to upgrade the country's credit ratings from BBB to BBB+.

After contracting by 0.6% in 2003, **Guyana's** economy recovered slightly with a 1.5% rise in GDP. Growth was constrained by the country's political climate and spiralling wage pressures. The debt burden also remained high despite relief under the Highly Indebted Poor Countries (HIPC) Initiative. Net International Reserves continued its three-year decline since 2002, moving from US$176.2mn in December of 2003 to US$162.8mn in October 2004. Throughout 2004, the government focused its attention on restructuring the state-owned sugar and bauxite industries and strengthening the regulatory framework of its banking system. Inflation continued to decline in consonance with the relatively low economic activity, despite the rise

Table II.2: Selected Indicators for Some Caribbean Countries

Country	GDP Growth Rate (%)		Inflation Rate (%)		Unemployment Rate (%)		Net International Reserves US$mn	
	2003	2004	2003	2004	2003	2004	2003	2004
Barbados	2.2	3.1	1.5	0.8	11.1	9.9	751.6	595.9
Jamaica	2.3	1.5	14.1	13.7	13.1	12.8	1,106.4	1,800.0
Trinidad & Tobago	4.2	6.2	3.8	3.7	10.5	8.6	2,197.0	2,900.0
Guyana	-0.6	1.5	5.0	4.5	n.a.	n.a.	176.2	162.8
OECS	n.a.	3.0	n.a.	n.a.	n.a.	n.a.	536.7	556.0

Sources: UN Economic Commission for Latin America and the Caribbean, IMF, Bank of Jamaica, Bank of Guyana, Central Bank of Trinidad & Tobago, ECCB, Central Bank of Barbados

n.a. = not available

in international oil prices and ended the year at 4.5%, compared to 5.0% in 2003.

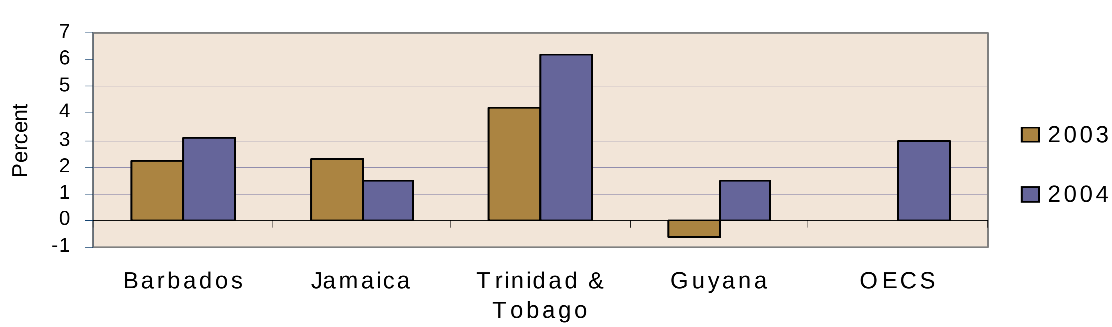
OECS

Notwithstanding damage from hurricanes and other natural disasters, the Eastern Caribbean region grew by an estimated 3.0%. The improved performance was attributable to an increase in visitor arrivals, higher agricultural production, particularly in banana, and construction. The spread of improved activity in the tourism sector ranged from 1.7% in Montserrat to 90.3% in Dominica, while St. Vincent and the Grenadines registered the largest expansion in banana production with a 27.3% increase over the same period in 2003. Although the individual performance of countries within the currency union was mixed, the overall fiscal deficit for the first three-quarters of the year declined from US$102.5mn to US$98.4mn in response to increases in grant receipts and current revenue. The rise in international oil prices pushed up consumer prices in all countries and higher merchandise imports and debt service payments also contributed to a widening of the external current account deficit. As at September 2004, net international reserves stood at US$556.0mn, a 3.6% increase over the December 2003 position.

Mexico

After sluggish growth of 1.2% in 2003, **Mexico's** economy accelerated to an estimated 4.1% in 2004 with the country benefiting from a revenue windfall as fuel prices peaked. The pick up in exports, renewed business confidence and strong foreign direct investment inflows contributed to a broad based economic recovery. High oil prices swelled fiscal revenues, while increased US demand stimulated a revival of the maquilladora sector and pushed the production index up 7.7% over the comparative period of 2003. Under pressure from higher oil and commodity prices, inflation rose from 4.0% in December 2003 to 5.1% in September 2004 even though Banco de Mexico tightened monetary policy seven times during the year. Strong PEMEX receipts boosted net international reserves to US$58.0bn in August 2004, up US$10.0bn from 2003.

Chart II.1: Real GDP Growth for Selected Caribbean Countries



However, notwithstanding increased economic activity, the unemployment rate rose from 3.0% in December 2003 to 3.8% in November.

Central America

As in 2003, economic activity in Central America grew by an average of 3.2%. The Panamanian economy was the most dynamic with growth in the region of 6.0%, while El Salvador lagged behind at 1.8%. Throughout the region, governments implemented measures to improve tax and public administration. The overall fiscal deficit is therefore expected to improve from 3.0% in 2003 to 2.0%. A slight increase was seen in the external current account deficit (from 7.5% of GDP in 2003 to 7.7% in 2004). Affected by rising international prices for petrol, inflation rose to 9.3% compared to 6.3% in 2003 and ranged from 13.5% in Costa Rica to 5.5% in El Salvador.

A slowdown in exports, particularly in computer parts, caused the **Costa Rican** economy to decelerate from 6.5% in 2003 to 3.9% in 2004. Even though the trade deficit widened, the external current account deficit narrowed from 5.5% of GDP in 2003 to 5.0% due to the dynamic performance of tourism. Progress on fiscal reform was slower than expected, while expenditure continue to outpace revenue. As a result, the overall deficit grew from 2.8% of GDP in 2003 to 3.5% in 2004. Higher oil prices directly contributed to an inflation rate of 13.5%, up from 9.9% in 2003. The increased import bill (largely due to rising oil prices) resulted in a decline in international reserves from US$1,836mn in 2003 (2.9 months of imports) to US$1,636mn in 2004 (2.4 months of imports).

Economic activity in **Nicaragua** strengthened in 2004 with growth of 3.7%. Fuelling the expansion was a surge in exports, increased investment and good performances in financial services, mining, construction, trade and the utilities. The external current account deficit improved only slightly to 18.5% of GDP notwithstanding increased exports and inflows from family remittances. Under the IMF's Poverty Reduction and Growth (PRGF) arrangement, Nicaragua implemented structural reforms to improve fiscal management and the financial system's stability. The result was a 2.5% reduction in the overall fiscal deficit before grants to 4.3% of GDP, and a surplus of 0.4% after accounting for grants. Commendable performance in the PRGF also qualified Nicaragua for debt relief under the Heavily Indebted Poor Countries (HIPC) Initiative in January 2004. All of this contributed to a US$92.0mn rise in net international reserves to US$400.0mn (approximately 2.3 months of imports) in 2004. Meanwhile, higher prices for fuel, food, and rent pushed inflation up from 6.5% in 2003 to 10.0% in 2004.

In **Panama**, GDP growth for 2004 was estimated at 6.0%, up from 4.7% in 2003. The expansion was attributable to increased activity in the export-oriented transport, communication and tourism sectors, as well as a booming construction industry that was encouraged by tax incentives. The fiscal deficit remained stable at 2.0% of GDP, especially as fiscal policy continue to be guided by a fiscal responsibility law that was enacted in May 2002 and which limited the non-financial public sector deficit to at most 2.0% of GDP.

Growth was once again lethargic for **El Salvador**, continuing at 1.8% as investment stagnated and the external sector improved only slightly due to a 4.6% decline in maquilladora exports that offset increases in coffee and non-traditional exports. Notwithstanding a surge in fuel costs, a significant expansion in family remittances figured prominently in reducing the external current account deficit from 5.0% of GDP in 2003 to an estimated 4.7% in 2004. Even so, net international reserves declined from US$1,906.0mn (4 months of import cover) in 2003 to US$1,871.0mn (3.6 months of import cover) and the external debt continued to climb, growing by 3.7% in 2004. Tightened controls on government spending coupled with reforms aimed at reducing tax evasion and contraband trade are expected to reduce the fiscal deficit from 2.3% of GDP to 1.7%. Rising energy costs were the main cause of a hike in inflation from 2.5% in 2003 to an estimated 5.5% in 2004.

The **Honduran** economy grew by an estimated 4.0% during the year, the expansion being associated with improved export performance, heightened activity in the energy and telecommunications sectors and increased private investment and consumption. The boisterous pace of economic activity, especially in the energy and telecommunications sectors, and rising fuel costs drove up imports. Consequently, the external current account deficit increased from 3.7% to 6.2% of GDP, even with higher family remittances and maquilladora exports. The latter two, along with

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

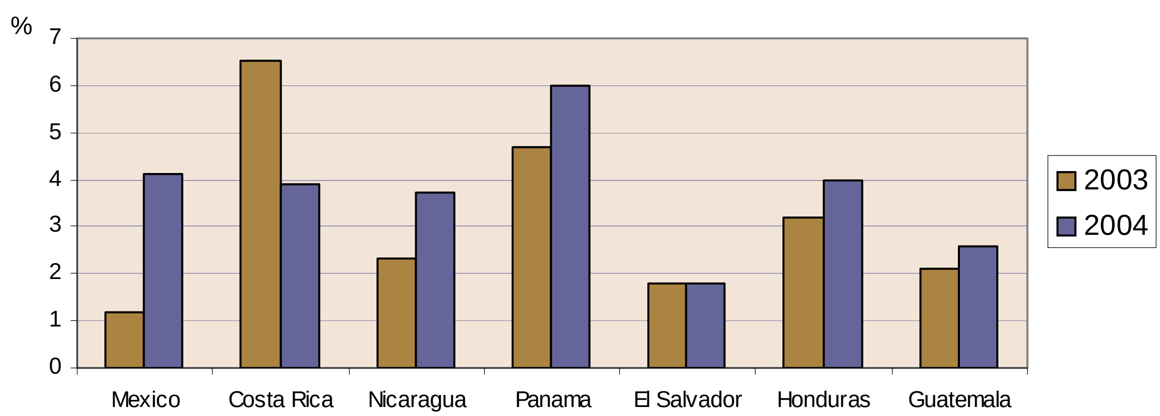
Country	GDP Growth Rate (%)		Inflation Rate (%)		Deficit/GDP Ratio (%)		Net International Reserves US$bn	
	2003	2004	2003	2004	2003	2004	2003	2004
Mexico	1.2	4.1	4.0	5.1	-1.1	n.a	48.0	58.0
Costa Rica	6.5	3.9	9.9	13.5	-2.8	-3.5	1.8	1.6
Nicaragua	2.3	3.7	6.5	10.0	-2.0	0.4	0.3	0.4
Panama	4.7	6.0	n.a.	n.a.	-2.0	-2.0	n.a.	n.a.
El Salvador	1.8	1.8	2.5	5.5	-2.3	-1.7	1.9	1.9
Honduras	3.2	4.0	6.8	9.5	-5.4	-3.5	1.2	1.3
Guatemala	2.1	2.7	5.9	9.2	-2.3	-1.9	2.9	3.5

Sources: ECLAC, IMF, Banco Central be Honduras, Banco Central de Ncaragua, Banco Central de Costa Rica, CABEL, Banco de Mexico
n.a. not available

debt relief (under the HIPC initiative) and disbursements from official sources, nevertheless, boosted net international reserves by 7.8% to US$1.3bn, equivalent to 4.2 months of imports. Under an IMF program, the government continued the implementation of fiscal reforms that were expected to reduce the fiscal deficit from 5.4% (in 2003) to 3.5% of GDP. Like other countries in the region, rising oil prices pushed inflation upward from 6.8% in 2003 to 9.5%.

The **Guatemalan** economy grew by an estimated 2.7% driven by a dynamic export performance, private investment and consumption as well as increased activity in basic services, the agricultural sector and trade. A surge in family remittances (that contributed largely to reducing the external current account deficit from 4.5% to 4.1% of GDP) and the placement of an international bond were mainly responsible for increasing net international reserves from US$2.9bn in 2003 to US$3.5bn (equivalent to more than 5 months of imports) in 2004. While monetary and fiscal discipline improved the overall fiscal deficit to 1.9% from 2.3% in 2003, higher oil prices drove inflation up from 5.9% to 9.2%. During the year, the government demonstrated its commitment to the structural adjustment process by commencing the negotiation of a new IMF standby program for 2005.

Chart II.2: Real GDP Growth for Mexico and Central America



Domestic Production, Prices and Employment

Production

GDP growth decelerated to 4.6% in 2004, reflecting a return to steady growth based more on productivity gains in contrast with the previous year, which featured substantial investment to expand the productive capacity of the primary sector. The latter led economic activity for the second consecutive year with a 9.1% increase in output while the secondary sector and services grew by 7.3% and 3.3%, respectively. Increased output led to a decline in the unemployment rate (from 12.9% to 11.6%) with the largest growth in jobs occurring in the primary and service sectors.

Notwithstanding a drought induced reduction in grain output, agriculture expanded by 11.9% reflecting strong growth in the major export crops of sugarcane, citrus and banana. Higher output of farmed shrimp as well as wild capture of lobster and conch accounted for a 4.8% growth in fishing.

Private sector projects that included two new casinos at the northern border, the Chalillo Dam and various hotels and buildings spurred growth in construction. Combined with an upturn in manufacturing (largely agro-processing), this overshadowed a fall-off in output by the utilities during the year.

Table III.1: Annual Percent Change in Selected Indicators

	2002	2003	2004
GDP at Current Market Prices	6.6	5.9	5.6
Real GDP (2000 prices)	4.7	9.2	4.6
Primary Activities	0.3	37.6	9.1
of which: Agriculture	2.5	16.8	12.1
Fishing	-7.1	110.5	4.8
Forestry	17.0	-5.2	8.1
Secondary Activities	2.3	-3.6	7.3
of which: Construction	3.7	-17.9	4.6
Manufacturing	1.5	-0.4	12.1
Services	7.3	7.9	3.3
of which: Restaurant & Hotel	2.5	14.5	15.5
Trade	4.0	1.4	-0.4
Public Administration	3.9	5.6	0.6
Transport and Communication	7.1	8.1	5.9
Financial intermediation	26.4	31.5	3.7
Consumer Price Index			
Average	2.2	2.6	3.1
End of period	3.2	2.3	3.0

Source: Central Statistical Office

In the services sector, hotel and restaurant activity grew by a substantial 15.5% in response to increases in stay-over tourists and cruise visitors. The impact of the latter also contributed to a 5.9% rise in transportation and communications. Other growth areas were in real estate/business services and financial intermediation which grew by 5.1% and 3.7%, respectively. On the other hand, activity in the wholesale and retail sector contracted by 0.4% as deceleration in investment spending underpinned a decline in imports.

The rate of inflation as measured by the Consumer Price Index (CPI) rose by 3.1% during the year, influenced largely by increases in energy costs, sales tax and higher import costs.

Agriculture

Sugarcane

The 2003/2004 crop benefited from favourable harvest weather, greater efforts by farmers to maximize deliveries and faster milling rates due to improvements at the factory level. Sugarcane deliveries consequently increased by 7.1% to 1,149,475 long tons. For the third year in a row, bona fide farmers were allowed to deliver as much produce as possible, which undermined the arbitrage gained by middlemen who market sugarcane licenses. The BSI cane-growing project yielded 54,138 long tons while the company's research division produced 13,060 long tons. With approximately 2,253 acres under cultivation, the BSI cane-growing project demonstrated the benefits of good agricultural practices by achieving yields of 24.1 tons of sugarcane per acre as compared to the industry average of 17.0 to 18.0 tons per acre. While the crop's sugar content was lower (11.95% compared to 12.25% for the 2002/2003 crop), cane purity remained almost stable at 85.09%.

The estimated average final price per long ton of sugarcane rose by $1.98 to $46.07 as the industry was able to sell all its sugar into preferential or more high-valued regional and niche markets and avoid the very depressed and unstable world market.

Citrus

After two consecutive years of decline following hurricane damage in late 2001, citrus production rebounded during the 2003/2004 crop year with a 25.5% increase over the previous crop.

Table III.2: Sugarcane Deliveries

	2001/02	2002/03	2003/04
Deliveries to BSI (long tons)	1,150,656	1,073,339	1,149,475

Source: Belize Sugar Industries Ltd.

Box 1: Sugar Industry Update

Faced with a 37.0% price cut for EU sugar exports looming in the next two years, Belize's sugar industry must accelerate its sugar adjustment strategies to survive in the new market environment, particularly as it relates to the implementation of the provisions of the Sugar Industry Act 2001.

For the past three years, farmers have had an open delivery system based on their production capacities rather than deliveries based on licensed amounts. Of the 8,475 registered license holders, an estimated 3,000 were not bona fide farmers and made a profit on the buying of sugarcane or sale of licenses to farmers with production in excess of their licenses. The objective of the open delivery system was to provide genuine farmers with the opportunity to maximize their production and remove the middleman. This move formed part of the scheme to increase farm efficiencies and allow licenses to be granted based on actual production.

Another effort to increase efficiency focused on improving the quality of the sugarcane entering the factory. Long delivery times caused the sucrose content in the cut sugarcane to deteriorate and so the industry implemented a 24-hour delivery system for the 2004/2005 crop. This move will also support the proposed shift to a payment system based on the sugar content of the delivered sugarcane. The Sugarcane Quality Authority (SCQA), an autonomous body whose main function is to implement the payment by quality system, was established. This body proposes to begin testing a core sampler during the 2004/2005 crop and then fully implement the new payment system during the 2005/2006 crop.

A key component of the survival strategy is to maximize the industry's value added through co-generation. On 1 December 2004, Belize Co-generation Limited (Belcogen) and the Belize Electricity Limited (BEL) signed a power purchase agreement in which Belcogen is to supply BEL with 13.5 megawatts of power starting the end of 2007. Plans are underway to finalise project financing early in 2005 so that construction can commence.

While some progress has been made in addressing some of the inefficiencies in the production chain, areas with bloated costs such as transportation to the factory, ship handling costs and persistently low average field productivity remain to be tackled to achieve a meaningful transformation of the industry.

Approximately 95.0% was processed, 2.5% went into fresh fruit exports and 2.5% was rejected at the factory.

Notwithstanding a higher rejection rate (2.5% versus 1.7% in 2002/2003), citrus deliveries surged to 6.4mn boxes. Deliveries of orange were up by 22.3% to 4.9mn boxes while grapefruit deliveries grew by a healthy 37.2% to 1.5mn boxes. The good outturn was attributable to favourable weather as well as improved usage of field inputs. The Mexican fruit fly control programme, which involved 48 growers, is also believed to have been a major factor in boosting grapefruit yields.

Citrus juice prices weakened substantially during the year in response to large, global inventories and good harvests in key producing countries such as Brazil and the United States. The final price payable for orange consequently declined by 13.6% to $0.88 per pound solid (ps), equivalent to a box price of $5.03 as compared to the industry average of $5.90 in the previous year. However, growers actually received $0.94 per ps, the $0.057 overpayment being originally treated as a prepayment against deliveries for the 2004/2005 crop. In a later move, it was agreed that deductions of this prepayment will be converted to shares in Citrus Products of Belize Limited, enabling growers to be individual shareholders in addition to their interests as members of the Citrus Growers Association and its investment company. The bearish market for citrus juices also led to a 16.2% decline in the grapefruit price to $3.84 per box.

Banana

After a sluggish start caused by heavy rains and low temperatures in the early part of the year, banana output rebounded with favourable weather and productivity improvements that were facilitated by EU grant assistance. Output totalled 4.3mn boxes, compared to the 4.0mn boxes achieved in 2003.

In January, 5,728.7 acres were under production, another 393.4 acres contained plantilla (trees too young for harvesting), 10 acres were ready to be planted and an additional 26 acres were earmarked for expansion. In December, total

Table III.3: Citrus Fruit Deliveries

	2001/02	2002/03	2003/04
Deliveries ('000 boxes)	5,350	5,124	6,426
Oranges	4,119	4,046	4,947
Grapefruits	1,231	1,078	1,479

Source: Citrus Grow ers Association

acreage under banana cultivation was 6,135.8 acres, including 5,707.6 acres under full production and 428.2 acres under plantilla.

With higher price incentives during the first half of the year, growers shifted 52.0% of annual production to this period, compared to 45.8% during the first half of 2003. Average yields also improved from 707 boxes per acre to 761 boxes per acre, influenced in part by better field practices as well as greater marketing flexibility with shipping volumes.

Papaya

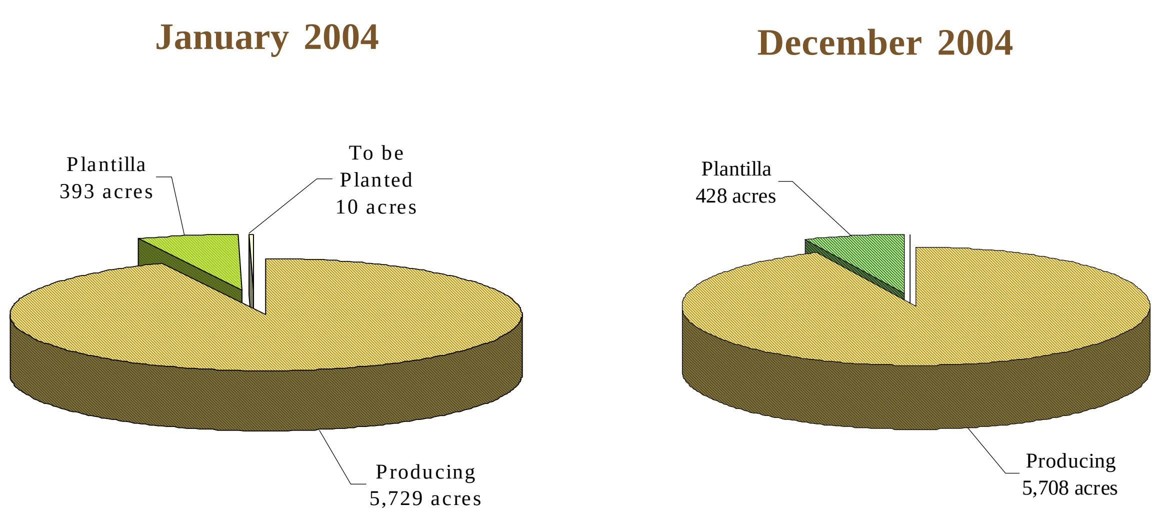
Despite facing stiff competition from other major producers such as Mexico and Brazil, Belizean papayas remained competitive due to superior fruit quality and the country's proximity to the US market.

During 2004, output of papaya surged as the area under cultivation rose to 1,300 acres, almost double the harvestable acreage of the previous year. Production remained centred in the Corozal District with the Cayo District accounting for only 44 acres. Approximately, 1,056 acres were under large papaya, which have now become the mainstay of the industry. The remaining acreage was devoted to the small solo papaya with continuing efforts being made to identify a variety that is of high quality and has a longer shelf life.

Other Agricultural Production

Except for a few crops, production of basic grains, vegetables and fruits contracted in response to adverse weather conditions (prolonged drought

Chart III.1: Banana Acreage



during the growing season and excessive rain during the harvest period), proliferation of diseases/pests and deficiencies in land preparation.

Despite a 9.9% increase in acreage, corn output was down by 11.0% to 74.8mn pounds. Sorghum also fell by 11.0% to 18.0mn pounds even though the acreage harvested expanded by 50.8% (from 5,977 acres to 9,016 acres). A decline in yields and acreage planted combined to reduce rice output by 16.0% to 23.5mn pounds and declines in the production of various beans ranged from 14.0% to 31.0%. Reports are that the soybean crop was severely affected by drought and pests to the point where harvested acreage shrank by 77.0% (from 2,602 acres in 2003 to 600 acres in 2004) and output plummeted by 80.0% to only 0.7mn pounds.

Most of the positive harvest growth in vegetables came from crops specifically targeted for expansion to meet domestic demand such as Irish potatoes, celery, broccoli and cauliflower. Except for Irish potatoes and ginger, all root crop production declined. On the other hand, the ready availability of a market for pineapple with the resumption of pineapple juice processing and the continued commercialisation of cashew helped to boost output of these two crops.

Livestock performance was mixed. Cattle dressed weights increased by 20.0% to 5.9mn pounds and sale of live cattle to Guatemala more than doubled to 2,804 heads. Milk production also rose by 5.0% to 8.0mn pounds and egg production increased by 7.0%. On the down side, dressed weights of pigs and poultry declined by 25.0% and 4.0%, respectively. Honey yields also decreased by 29.0% to 0.08mn pounds.

Marine Products

Bolstered by higher output of white-farmed shrimp, lobster and conch, fisheries production rose by 2.8mn pounds to 26.4mn pounds.

While output of white-farmed shrimp grew by 12.3% to 25.0mn pounds, the sea shrimp harvest fell slightly to 0.1mn pounds. Production of conch increased by 18.5% to 0.6mn pounds and lobster production was also up by 2.2% to 0.6mn pounds. Whole fish production remained stable at 0.02mn, while fish fillet gained significance as large scale tilapia production came on stream.

Forestry, Mining and Construction

A long dry season and the continuation of small scale operations (particularly in the southern part of the country) to retrieve logs from trees damaged by Hurricane Iris in 2001 boosted output from forestry by 8.1% during 2004.

At 4.6%, growth in construction was strong, spurred on by various projects among which were the marine parade boulevard, the Chalillo hydroelectric dam, two new casinos at the northern border as well as various other residential and commercial buildings.

With demand for quarrying and mining materials driven by construction projects, the mining sub-sector expanded by 4.9%. While royalties (charged on the mining of more than 16,000 cubic yards of material per annum) collected from mining operations decreased, the amount of applications for permits (required for the extraction of less than 16,000 cubic yards per annum) went up.

Manufacturing

Sugar and Molasses

Factory operations commenced on December 1st and closed on June 28th, after 214 harvest days. With sugarcane deliveries up 7.1%, sugar production grew by a healthy 11.6% to 116,515 long tons. Notwithstanding a lower sugar content in the crop and persistently high incidence of mud in deliveries, adjustments in factory procedures (such as an improved maintenance schedule) pushed up the sugar extraction rate from 91.2% in 2003 to 94.6% in 2004. With the factory generally performing more efficiently, the cane/sugar ratio improved by 4.0%, moving from 10.28 to 9.87 tons of sugarcane to produce one ton of sugar. Factory time efficiency, on the other hand, fell by 1.0%, due to a brief factory close-down caused by staff industrial action that was speedily resolved.

Storage capacity was expanded to accommodate a higher production of bagged sugar targeted to the CARICOM market. In other developments, the improvements in mill extraction and sugar recovery rates reduced losses of sucrose to the factory's by-products and as a consequence molasses output fell by 4.3% to 41,117 long tons.

Citrus Juices and Pulp

A 25.4% surge in fruit deliveries pushed juice production up by 24.0% to 35.2mn pound solids for the 2003/2004 crop year. The slightly lower proportional increase in juice out-turn was attributable to lower average pound solids per box of fruit with orange declining from 5.78ps to 5.73ps and grapefruit yielding 3.87ps compared to the 3.96ps realized in the previous crop.

Most deliveries went into the production of orange and grapefruit concentrate, which remained the industry's mainstay. Orange concentrate

Table III.4: Sugar and Molasses Production

	2001/02	2002/03	2003/04
Sugar Processed (long tons)	111,312	104,433	116,515
Molasses Processed (long tons)	40,947	42,944	41,117
Performance			
Factory Time Efficiency	93.28	93.11	92.27
Cane Purity (%)	85.08	85.08	85.09
Cane/Sugar Ratio	10.34	10.28	9.87

Source: Belize Sugar Industries Ltd.

Table III.5: Production of Citrus Juices and Pulp

	2001/02	2002/03	2003/04
Production ('000 ps)	27,482	28,381	35,202
Orange Concentrate	22,506	23,067	27,902
Grapefruit Concentrate	4,348	3,728	5,432
Not-from-concentrate (NFC)	627	1,586	1,868
Production ('000 pounds)			
Pulp	459	366	626

Sources: Citrus Products of Belize Ltd.

production increased by 21.0% to 27.9mn ps while that of grapefruit expanded by an even more substantial 45.7% to 5.4mn ps as fruit volumes increased with the success in controlling the Mexican fruit fly. Production of freeze concentrate continued, albeit on a much smaller scale than in previous years. Output of not-from-concentrate (NFC) juices also increased 17.8% to 1.9mn ps (0.5mn ps of orange and 1.4mn ps of grapefruit).

Pulp production, most of which was orange, amounted to only 0.6mn pounds as demand slackened in the European market and the processor continued to deal with quality issues.

Other Manufacturing Production

Output of beer, cigarettes and fertilizer fell while that of rum and soft drinks expanded during the year. The overall decline in crop production, particularly grains, for the domestic market affected fertilizer demand and contributed to the 15.8% fall in output to 22,283 metric tons. While beer and cigarette production decreased by 6.7% to 1.8mn gallons and 3.1% to 167,425 pounds, respectively, rum output grew by an impressive 38.1% to 23.5mn gallons as the market expanded with the larger influx of tourists. Soft drink output also continued its steady yearly increase, growing by 1.2% to 19.7mn liters, a growth more influenced by population increases than the tourist market.

Tourism

After three years of stagnant growth, international tourism rebounded in 2004 with the majority of tourist destinations reporting positive results and quite a few registering record high arrivals. The recovery of the world economy, and in particular the US and major European tourist markets, together with the strengthening of Asian economies, contributed to a very good year for global tourism.

Reflecting these worldwide trends, tourism activity in Belize maintained an upward trend as arrivals of stay-over visitors and cruise ship passengers rose by 5.0% to 219,657 and 49.7% to 766,292, respectively.

Burgeoning demand led to an increase in air flights to the country and accounted for almost all the increase in overnight visitors. Air seat capacity expanded with the inauguration of Delta Airline flights from Atlanta and Tikal Jets flights from Guatemala City. The 6.8% and 0.8% increase in air and land arrivals, respectively, more than compensated for a 3.8% decline in sea arrivals.

The US remained the major market, accounting for 62.7% of all tourists and for virtually all the growth in overnight visitors. While the EU remained the second largest market for Belize's tourism product with 14.1% of all visitors, arrivals from this source fell by 2.6% possibly due to high oil prices and slower growth in the euro zone economies.

The strong growth in cruise ship tourists continued with disembarkations rising 49.7% to 766,292, as the number of port calls increased markedly from 315 in 2003 to 406 in 2004.

Prices

Various factors combined to raise the cost of living during the year. Political instability in key oil producing countries such as Nigeria, Saudi Arabia and Iraq pushed petroleum prices up to historically high levels and raised energy costs overall. Another cost push came from an increase in taxation, principal among which was a 1.0% increase in the sales tax. Also contributing to the upward pressure on prices was a 3.8% increase in the cost of imported goods as proxied by the US export price index (up to November 2004) and higher freight rates. Belize continues to get approximately half of its imports from the USA and so its inflation rate closely parallels that of the USA. The cumulative effect was a 3.1% rise in inflation during the year with average prices in all categories of goods rising except for '*Personal Care*' where prices fell by 0.9%.

Table III.6: Bonafide Tourism Arrivals & Expenditure

	2002	2003	2004
Stayover Arrivals	**177,120**	**209,179**	**219,657**
Air	127,305	153,637	164,073
Land	41,793	47,100	47,463
Sea	8,416	8,442	8,121
Cruise Ship Arrivals	**271,737**	**511,924**	**766,292**
Expenditure by stay-overs ($mn)	*$173.4*	*$182.1*	*$191.2*
Expenditure by cruise visitors ($mn)	*$24.2*	*$43.4*	*$65.0*

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

Box 2: Tourism Developments and Prospects

Developments in 2004

In line with the positive turnaround in global tourism, Belize's tourism industry performed well during 2004. Continued marketing focus on the US, the country's major market, capitalised on its strengthening economy and contributed substantially to boosting stay-over arrivals by 5.0%, while cruise arrivals continued to surge as the number of port calls increased.

During 2004, attention was focused on further developing the tourism product through infrastructural and human resource enhancements. While the Tourism Development Project that aimed to improve thirteen Mayan sites came to an end, work continued with NICH funding to construct on-site facilities such as bathrooms, gift-shops and parking lots at the various archaeological sites. The terminal at the Phillip Goldson International Airport was expanded to accommodate two new airlines servicing the country. Another major milestone was the completion of the Marine Parade Boulevard in Belize City to relieve the congestion caused by tour buses servicing the Tourism Village. The government also constructed a docking facility in San Pedro, paved the entrance road to Altun Ha and started the resurfacing of the Caye Caulker airstrip. Although the training project that was funded by the IDB ended during the year, the programme was continued under the auspices of the Belize Tourism Board (BTB).

The year also saw an increase in the air lift capacity to Belize with the additions of more flights by existing airlines as well as two new entrants. As of December, Delta airlines started to operate a weekly flight to Belize from its Atlanta hub. In October, Tikal Jets, a Guatemalan carrier, started to provide two weekly flights between Guatemala City and Belize, a move that could facilitate easier European access.

A welcome addition to the attractions available to tourist and locals was the re-opening of the Bliss Centre for the Performing Arts in March 2004 and the inauguration of a Garifuna museum in Dangriga.

Prospects:

During 2005, major developments in the tourism industry are expected to include:

a) Increased outreach to Europe and focus on Central American markets
b) Completion of the paving of the Caye Caulker airstrip
c) Start of the paving of the Placencia road
d) Commencement of works at the Carnival/Port of Belize project
e) The expansion of the runway and apron at the Phillip Goldson International Airport
f) The opening of two casinos at the Mexican border
g) Passage of legislation specifically for the cruise industry and to regulate the time-share market
h) Revision of tour operators/tour guides legislation
i) Construction of new hotels

Source: Belize Tourism Borad

The largest increase was in '*Transport and Communication*', which rose by 5.5% mostly due to an increase in the price of fuel at the pump that pushed up transportation costs, higher fees for drivers' licenses and airfares. *'Rent, Water, Fuel and Power'* rose by 5.2% mostly due to higher water rates (the utility company implemented an average 17.0% increase in water rates in April, 2004) and an escalation in butane/cooking oil costs. Another important factor was the doubling of the business tax (from 1.5% to 3.0%) on rental of properties costing more than $800 per month.

The next largest increases were in '*Food, Beverage and Tobacco*' (2.5%), '*Recreation, Education and Culture*' (1.3%) and '*Medical Care'* (1.0%).

Employment

The labour force increased by 5.9% to 108,491 individuals during the year, while the employed labour force increased by 7.5% to 95,911. The rate of unemployment consequently declined from 12.9% to 11.6%. The largest growth in jobs was in the primary and service sectors. In the primary sector, the surge in agricultural export production, particularly sugar, citrus and banana, accounted for some 15.5% of the new jobs created. Agriculture therefore maintained its position as the largest source of employment, accommodating some 18.9% of the employed labour force.

Within the secondary sector, a 13.1% increase in manufacturing jobs occasioned in part by the spurt in export manufacturing was offset by declines in the utility and construction sub-sectors. In contrast, all tertiary activities recorded growth except for *'General Government Services'*. The boom in the tourist industry led to the greatest increase in new job opportunities, making it the fourth largest employer and directly accounting for one out of every nine

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

Major Commodity	Weights	Feb-04	May-04	Aug-04	Nov-04	Inflation Rate
Food, Beverage and Tobacco	346.6	0.8	0.6	1.1	0.8	2.5
Clothing and Footw ear	92.0	1.1	0.1	-0.4	-0.3	0.4
Rent, Water, Fuel and Pow er	167.0	1.7	0.1	0.3	1.2	5.2
Household goods & Maintenance	85.3	0.2	0.4	-0.2	-0.2	0.1
Medical Care	20.1	-0.4	1.5	-0.1	0.2	1.0
Transport and Communication	170.1	1.2	2.6	1.8	0.1	5.5
Recreation, Education, Culture	80.4	0.4	0.1	0.6	0.0	1.3
Personal Care	37.9	-0.5	-0.1	0.1	0.2	-0.9
All items	**1000.0**	**0.9**	**0.8**	**0.8**	**0.5**	**3.1**

Source: Central Statistical Office

workers. '*Wholesale, retail trade and repair*' was the second largest job market (after agriculture) with 16.9% of the employed population and second in line after tourism for new job creation. With Government reducing employment by not filling vacancies created through natural attrition, the civil service contracted by 8.7% to 9,885 persons. In contrast, employment in "Community, Social and Personal Services" expanded by 25.0%, more than compensating for the aforementioned reduction.

With the size of the labour force growing at almost the same rate as the working-age population, the labour force participation rate remained virtually unchanged at 60.3% between April 2003 and April 2004.

Table III.8: Employed Labour Force by Industrial Group

Industrial Group	2002	2003	2004
Agriculture nec	18,533	17,120	18,156
Forestry, logging, saw milling	778	864	1,010
Fishing and fish processing	1,195	2,120	2,555
Mining and Quarrying	211	360	401
Manufacturing	6,220	6,724	7,607
Electricity, gas & water	648	778	768
Construction	7,698	7,489	6,595
Wholesale, retail, repair	14,073	14,716	16,226
Tourism (Hotels & Restaurants)	9,259	9,400	11,062
Transport and Communication	3,037	3,298	3,683
Financial intermediation	1,545	1,518	1,939
Real Estate, renting	1,457	1,741	2,123
General Government Services	8,981	10,309	9,885
Community, Social & Personal Services	11,426	10,822	13,532
Work Abroad*	0	1,676	157
Activities not classified elsewhere	169	287	212
Total, All Sectors	85,230	89,222	95,911

Source: Central Statistical Office
* Covers work abroad and in 2003, workers in commercial free zone as well.

Growth in the broad money supply (M2) accelerated from 3.5% to 13.4%, the increase being largely driven by a 20.7% expansion in net domestic credit. The latter included an 11.1% increase in private sector loans and a more than doubling in net credit to Central Government and loans to statutory bodies. Also contributing to the monetary expansion were BSSB deposits of some $54.0mn received from its sale of BTL shares to a foreign investor and a partial shift of EPZ funds back onshore subsequent to the amendment of the EPZ legislation. Even so, net foreign assets shrank by 36.1% ($48.1mn) as the upward surge in credit (mostly for non-export oriented activity) coincided with increased outflows for profit repatriation and external debt payments. The Central Bank consequently took action in the beginning of December to relieve the pressure on the external reserves by raising commercial bank primary and secondary reserve requirements by 1.0% in consonance with Central Government initiatives to tighten its fiscal stance.

Money Supply

Following a marginal increase in 2003, narrow money expanded robustly with currency held by the public and demand deposits up 11.6% and 13.0%, respectively. Isolated to the first and fourth quarters, the expansion in demand deposits was largely concentrated in holdings of individuals and business enterprises. The upward movement partly reflected the reclassification of some $17.0mn from

Table IV.1: Factors Responsible for Money Supply Movements

$mn

	Position as at			Changes During 2004
	Dec 2002	Dec 2003	Dec 2004	
Net Foreign Assets	**256.3**	**133.3**	**85.1**	**-48.1**
Central Bank	223.3	163.4	103.7	-59.7
Commercial Bank	33.0	-30.1	-18.6	11.6
Net Domestic Credit	**951.2**	**1,130.0**	**1,353.5**	**223.6**
Central Government (Net)	30.4	90.7	175.3	84.6
Other Public Sector	29.5	21.2	47.0	25.8
Private Sector	891.3	1,018.1	1,131.2	113.2
Central Bank Foreign Liabilities (Long-term)	**18.5**	**7.5**	**2.5**	**-5.0**
Other Items (net)	**125.6**	**154.7**	**187.8**	**33.5**
Money Supply M2	**1,063.4**	**1,101.1**	**1,248.3**	**147.0**

Chart IV.1: Ratio of M2 to GDP

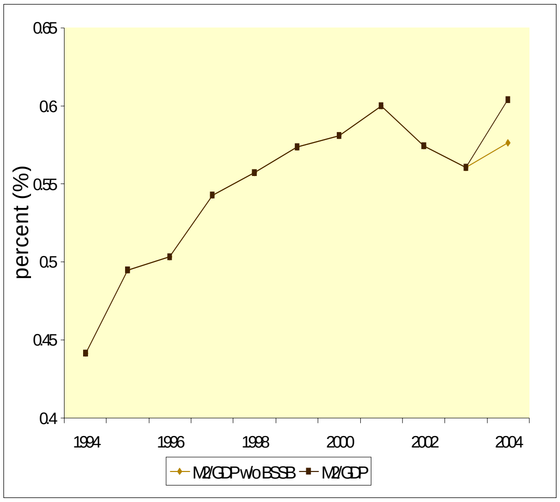
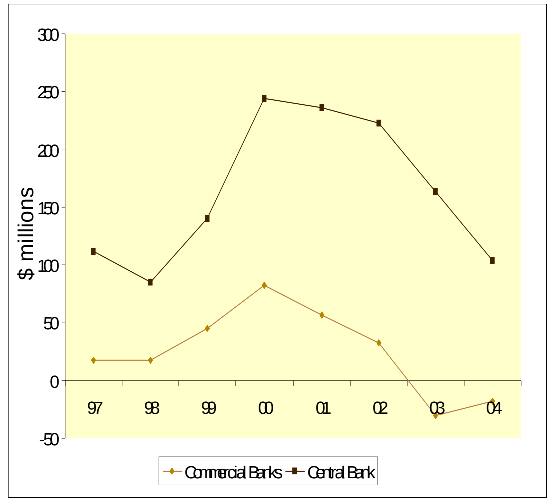


Chart IV.2: Annual Change in Net Foreign Assets of Commercial Banks & Central Bank



savings to demand deposits early in the year and an $8.4mn increase in foreign currency deposits held by residents.

Growth in quasi-money also accelerated (from 4.9% to 13.7%), reflecting a 20.3% expansion in time deposits. More than half of this occurred during the second and third quarters when proceeds from the BSSB sale of shares were received. The 3.5% decline in savings deposits was due to commercial bank reclassifications after adding the checking account feature to a number of existing savings accounts.

Table IV.2: Money Supply

($mn)

	Position as at			Changes During
	Dec 2002	Dec 2003	Dec 2004	2004
Money Supply (M2)	**1,063.4**	**1,101.1**	**1,248.3**	**147.0**
Money Supply (M1)	**358.1**	**361.1**	**406.7**	**45.6**
Currency with the Public	106.8	103.3	115.3	12.0
Demand Deposits	251.3	257.8	291.4	33.6
Quasi-Money	**705.3**	**740.0**	**841.6**	**101.4**
Savings Deposits	216.8	205.5	198.3	-7.3
* Time Deposits	488.5	534.5	643.3	108.7

*Includes Non-Residents Foreign Currency Time Deposits of $36.0mn

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

$mn

	Position as at			Changes During 2004
	Dec 2002	Dec 2003	Dec 2004	
Net Foreign Assets	**256.3**	**133.3**	**85.1**	**-48.1**
Central Bank	**223.3**	**163.4**	**103.7**	**-59.7**
Foreign Assets	229.3	169.2	106.5	-62.7
Foreign Liabilities(Demand)*	6.0	5.8	2.8	-3.0
Commercial Banks	**33.0**	**-30.1**	**-18.6**	**11.6**
Foreign Assets	113.5	119.5	129.3	10.6
Foreign Liab. (Short-Term) **	80.5	149.6	147.9	-1.0

* Does not include Central Bank Long-term Foreign Liabilities of $2.5mn

** Does not include Non-residents Foreign Currency Time Deposits of $36.0mn held with Commercial Banks.

Net Foreign Assets

With financial inflows slowing somewhat, the net foreign assets of the banking system contracted by $48.1mn to a ten-year low of $85.1mn. By year-end, net holdings of the Central Bank had fallen by 36.6% to $103.7mn while the commercial banks' position improved from negative $30.1mn to negative $18.6mn.

The downward shift in Central Bank foreign asset holdings reflected inflows and outflows of $363.2mn and $426.0mn, respectively. Loans accounted for 32.2% of the former, notable among which were disbursements from the International Bank of Miami and ROC/Taiwan. Sugar export proceeds accounted for $67.9mn (19.2%) and $59.1mn (16.7%) was purchased from the local

Table IV.4: Net Domestic Credit

($mn)

	Position as at			Changes During 2004
	Dec 2002	Dec 2003	Dec 2004	
Total Credit to Central Government	**126.8**	**220.5**	**246.8**	**26.3**
From Central Bank	63.8	165.5	165.3	-0.2
From Commercial Banks	63.0	55.0	81.5	26.5
Less Central Government Deposits	96.4	129.8	71.5	-58.3
Net Credit to Central Government	**30.4**	**90.7**	**175.3**	**84.6**
Plus Credit to Other Public Sector	**29.5**	**21.2**	**47.0**	**25.8**
Plus Credit to the Private Sector	**891.3**	**1,018.1**	**1,131.2**	**113.1**
Net Domestic Credit of the Banking System	**951.2**	**1,135.1**	**1,353.5**	**223.5**

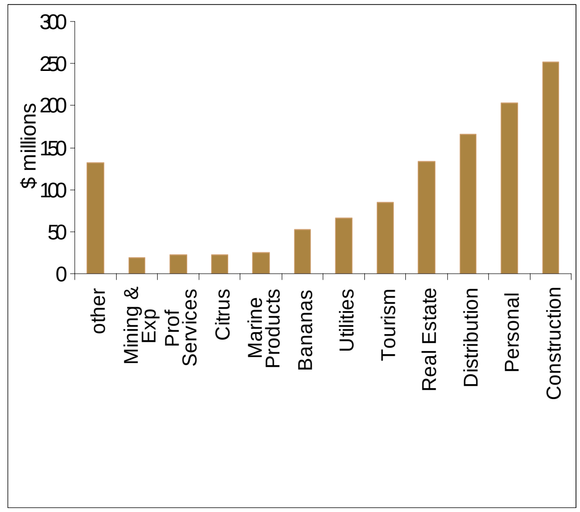
commercial banks. Receipts from BSSB sale of its investment accounted for 15.3% while the remainder consisted of grants, revaluation gains and interest earnings. Outflows were again dominated by sales of some $288.7mn to Central Government and statutory bodies, the bulk of which were for external debt payments. Sales to the commercial banks amounted to $103.1mn, a 27.3% decline, while BEL received $28.3mn for debt servicing and fuel purchases. Short-term foreign liabilities fell by slightly over 50.0% principally due to deposit withdrawals from the EU Banana Support Programme and a reduction in the CARICOM Bilateral Clearings account balance.

With the external current account narrowing somewhat, the commercial banks were able to record an $11.6mn improvement in net foreign asset holdings although remaining in an overall negative position at the end of the year. After expanding by 85.0% in 2003, the banks' short-term foreign liabilities declined slightly as a $13.0mn expansion in IBC demand deposits was more than offset by loan repayments to foreign affiliates and head offices.

Net Domestic Credit

Funding for transactions involving real estate, the private utilities, construction and the government dominated commercial bank lending in 2004. Over 56% of net commercial bank loan disbursements were for tertiary sector activities led by real estate with $33.1mn and tourism with $11.9mn. The

Chart IV.3: Sectoral Distribution of Outstanding Commercial Banks Loans



secondary sector accounted for 40.2% of net loan disbursements. The latter included $33.0mn for the private utilities, which have been significantly increasing their use of local funding over a three year period, and $18.7mn that targeted commercial, residential and infrastructural construction projects, in that order. At $9.4mn (7.0%), the primary sector accounted for the smallest share with loans being mainly allocated for banana cultivation and mining & exploration activity while net repayments were made by citrus growers and producers of forestry and marine products.

With external debt servicing requirements taking centre stage, net credit to Central Government more than doubled to $175.3mn. The Central Bank accounted for $64.6mn or some 76.4% of the total increase that largely consisted of Government's withdrawals from deposit holdings and, to a lesser extent, an increase in the overdraft balance. Net financing from commercial banks rose by $20.0mn

Chart IV.4 : Quarterly Change in Excess Liquidity

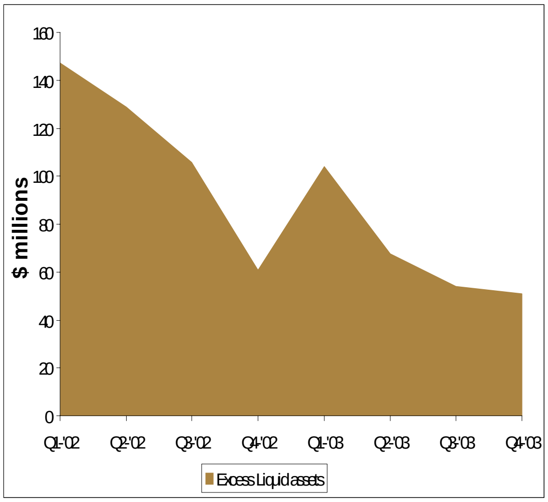
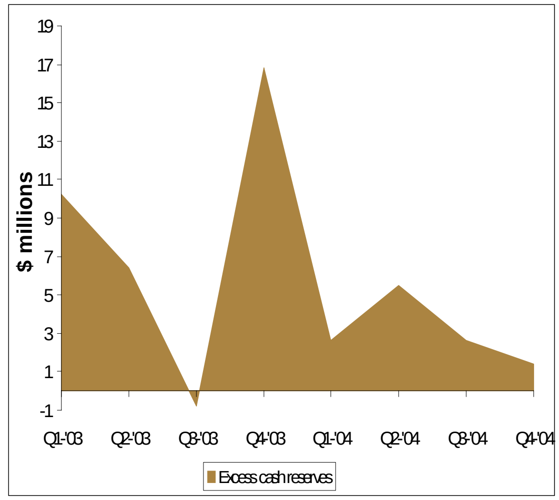


Chart IV.5 : Quarterly Change in Excess Cash Reserves



with new disbursements and an $11.0mn increase in Treasury Bills purchased in the secondary market being partly offset by a $6.6mn increase in deposits.

With Central Bank loans to DFC accounting for about 90.0% of the increase, loans to statutory bodies rose by $25.8mn in contrast to the $8.3mn decline in the previous year.

Liquidity

After a modest $5.5mn increase in the first quarter, excess liquidity received a sharp upward boost, peaking at $107.3mn as funds from the BSSB sale of shares were injected into the system in May/ June. Taking advantage of this, the commercial banks sharply increased credit in the third quarter

Table IV. 5 : Commercial Banks' Holdings of Approved Liquid Assets

$mn

	Position as at			Changes During
	Dec 2002	Dec 2003	Dec 2004	2004
Holdings of Approved Liquid Assets	**304.2**	**303.4**	**324.2**	**20.9**
Notes and Coins	27.4	29.8	33.7	3.8
Balances with Central Bank	64.8	79.6	81.7	2.1
Money at Call and Foreign Balances (due 90 days)	91.7	74.0	102.9	28.9
Treasury Bills maturing in not more than 90 days	33.1	19.8	25.9	6.2
Other Approved assets	87.2	100.2	80.0	-20.1
Required Liquid Assets	**243.4**	**252.2**	**237.9**	**-14.3**
Excess/(Deficiency) Liquid Assets	**60.8**	**51.2**	**86.3**	**35.2**
Daily Average holdings of Cash Reserves	64.4	79.9	84.7	4.8
Required Cash Reserves	60.8	63.1	83.3	20.2
Excess/(Deficiency) Cash Reserves	**3.6**	**16.8**	**1.4**	**-15.4**

Box 3: Statutory Liquidity

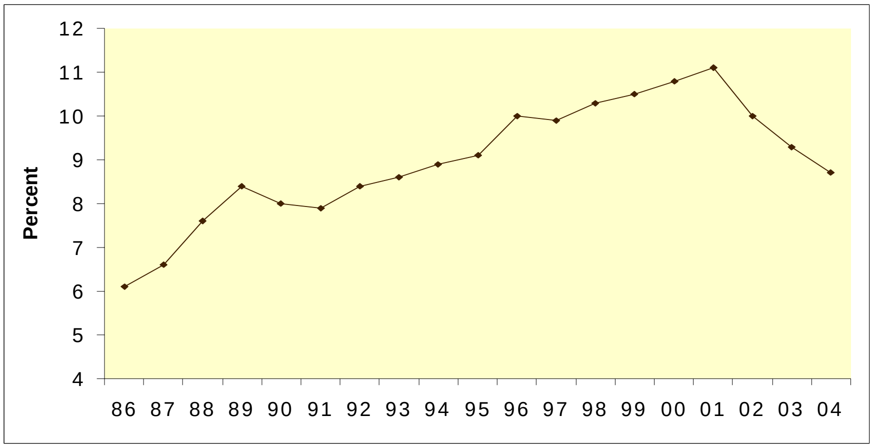
Among the assets that commercial banks may hold to satisfy the statutory reserve requirement are several that do not meet the acid test of quick and easy convertibility and which therefore dilute the measurement of the banking system's true liquidity. With a view to increasing the transparency and accuracy of the liquidity measurement, the Central Bank removed some $50.0mn in residential mortgage loans from the list of approved assets in April 2004. The reserve requirement was simultaneously lowered by 5% (from 24% to 19% of average deposit liabilities) to ensure that the effect on actual liquidity was neutral. Several commercial bank loans to the Government have and continue to qualify for inclusion. When these are removed from the list the effect would be an additional $40.5mn reduction in the excess liquidity of the banks.

eliciting a $32.5mn contraction in their net liquidity. The downward trend was shortlived, however, with statutory liquidity rising in each of the last three months of the year fueled by Central Bank financing of the fiscal deficit and the practice of classifying loans to the government as approved liquid assets. In the beginning of December, the Central Bank therefore raised the liquid asset and cash reserve ratios from 19% to 20% and from 6% to 7%, respectively, to prevent a further growth spurt in lending and maintain stability in the foreign exchange market. By year-end, excess statutory liquidity stood at $86.3mn, a year on year increase of 68.5%, with commercial bank holdings of approved liquid assets rising by $20.9mn relative to a $14.3mn fall in required holdings. Meanwhile, excess cash reserves subsided to $1.4mn after rising to $16.8mn in the last quarter of 2003 in tandem with the build-up in funds payable to external creditors. The clearing of these committments brought primary reserves back down to a level that is more typical of balances held by the commercial banks. Developments included a $4.8mn rise in daily average holdings while the required level of cash reserves rose by $20.2mn, the bulk of the latter occurring in December when the cash reserve requirement was increased.

Interest Rates

A more competitive environment and the decision of EPZ's to continue holding substantial deposits offshore caused a further narrowing of the weighted average interest rate spread by 60 basis points to 8.8%, the third consecutive year in which the spread has narrowed. The latter follows a 15-year period in which the spread had been on a generally upward trend. While the weighted average deposit rate rose by 30 basis points (from 4.9% to 5.2%) over the year, competition among the banks and favourable rates on loans to the public sector pushed rates downward by a further 20 basis points to 14.0%. The downward movement was however not reflected in commercial and residential construction loans which saw rate increases of 10 and 20 basis points, respectively, over the year.

Chart IV.6 : Commercial Banks' Weighted Average Interest Rate Spread



Box 4: Chronology of Recent Statutory Developments

1998 - **(1 November)** Commercial banks' liquid asset and cash reserve ratios were lowered from 26% to 24% and from 7% to 5%, respectively. The Central Bank also authorized the inclusion of new loans for residential construction (up to 5% of deposit liabilities) as part of commercial banks approved liquid assets.

2000 - **(3 April)** Commercial banks' cash reserve requirement on savings and time deposits was lowered from 5.0% to 3.0%. New commercial bank loans for non-traditional, export-oriented enterprises became classifiable as approved liquid assets.

2002 - **(2 January)** Amendments to the Exchange Control Regulations that allowed the licensing and operations of Casas de Cambios became effective.
(1 October) The Offshore Banking Act was amended to enable domestic companies with EPZ and CFZ status to conduct banking transactions with offshore banks licensed in Belize. The Act was also renamed "The International Banking Act".
(28 September) Commercial bank cash reserve requirements were raised from 3.0% to 5.0% on average savings and time deposit liabilities and from 5.0% to 7.0% on average demand deposit liabilities.
(1November) The cash reserve requirements on demand, savings and time deposit liabilities were harmonized at 6.0%.

2004 - **(29 January)** The Export Processing Zone Act was amended to disallow the use of Belize currencywithin an EPZ, require that all transactions be conducted in US dollars and specify that EPZ's are subject to the Exchange Control Regulations.
(1 April) The Central Bank disallowed the inclusion of residential construction loans as part of commercial banks' approved liquid assets, a move that coincided with the reduction of the liquid asset ratio from 24% to 19%.
(1 November) The International Banking Act was amended to eliminate the co-mingling of resident and non- resident deposits in domestic banks.
The Central Bank decreed that commercial banks loans from affiliates must not exceed 10% of domestic deposit liabilities.
(1December) Commercial bank cash and liquid asset ratios were increased from 6% to 7% and from 19% to 20%, respectively.

Central Government Operations & Public Debt

Central Government Operations

A marked reduction in the fiscal deficit occurred in the 2004 calendar year as revenues rebounded and capital expenditure was curtailed. With total revenue and grants rising by 15.5% to $523.6mn while expenditure contracted by 2.7% to $648.9mn, the overall deficit declined by nearly 41.4% to$125.3mn (6.0% of GDP). Converesly, there was a worsening of the current balance as strong growth in current expenditure continued to outpace the increase in current revenues. Financing for the fiscal deficit came mainly from the domestic banking system as a significant proportion of the funds received from external sources was used for re-profiling and servicing of the external debt.

After a marginal decline in 2003, current revenue rose by 9.4% to $462.0mn (22.3% of GDP) as a series of tax 'rebalancing' measures were implemented in January. The strongest growth (some 22.7%) occurred in tax revenues from goods and services, a substantial portion of which was the result of a 1.0% increase in the sales tax. Robust growth also occurred in revenues derived from taxes on 'income and profits' and , to a lesser extent, on international trade. Capital revenue rose

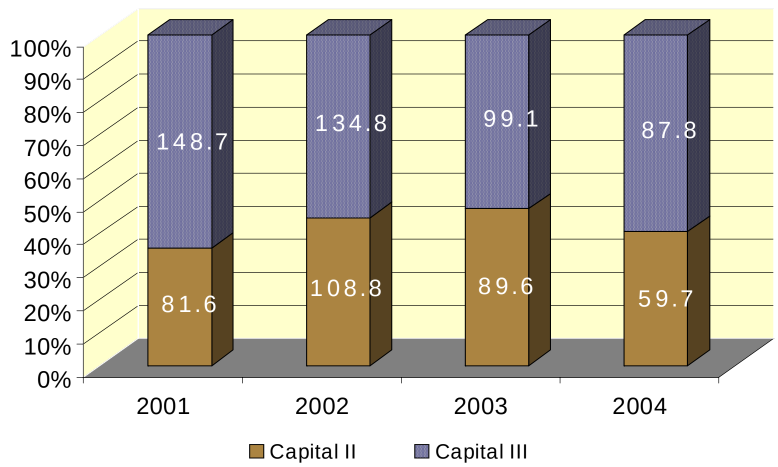
Table V.1: Government of Belize - Revenue and Expenditure

$mn

	Jan-Dec 2002	Jan-Dec 2003	Jan-Dec 2004	Change during 2004
Current Revenue	425.8	422.2	462.0	39.8
Tax Revenue	354.0	370.2	419.3	49.1
Non-Tax Revenue	71.7	52.0	42.7	-9.3
Current Expenditure	333.4	393.0	468.0	74.9
CURRENT BALANCE	**92.3**	**29.1**	**-6.0**	**-35.1**
Capital Revenue	67.5	24.8	26.5	1.6
Capital Expenditure (Capital II local sources)	108.8	89.6	59.7	-30.0
OPERATING SURPLUS	**51.1**	**-35.7**	**-39.2**	**-3.5**
Total Grants & Debt Service Receipts	31.7	6.4	35.2	28.8
Total Revenue and Grants	524.9	453.4	523.6	70.2
Total Capital Expenditure	260.3	273.9	180.9	-93.0
of which Hurricane Reconstruction	26.0	2.5	0.0	-2.5
Total Expenditure	593.8	667.0	648.9	-18.1
OVERALL BALANCE	**-68.8**	**-213.6**	**-125.3**	**88.3**
balance excluding Hurricane ERF	-42.8	-211.1	-125.3	85.9
FINANCING	68.8	213.6	125.3	-88.3
Domestic Financing	-220.9	-62.4	-39.4	23.0
Financing Abroad	278.3	276.7	164.9	-111.9
Other	11.4	-0.7	-0.3	0.5
Ratio of Overall Balance to GDP (%)	**-3.7**	**-10.9**	**-6.0**	**4.3**

Sources: Central Bank of Belize; Ministry of Finance

Chart V.1: Central Government's Development Expenditure



modestly by $1.6mn to $26.5mn while a more than five-fold increase was recorded in grants (from $6.4mn to $34.1mn) due to a significant rise in official transfers from ROC/Taiwan.

At $468.0mn, current expenditure was 19.1% higher on a year on year basis with all major categories of current outlays increasing. The most notable growth was in interest payments on the public debt, which rose by $44.1mn (56.9%) to $121.5mn while outlays on salaries and pensions were up by 11.4% and subsidies by 15.8%.

During the year, capital expenditures were sharply rolled back in the effort to bring the fiscal deficit to a more sustainable level. The result was a 34.0% reduction that brought the total to $180.9mn (8.7% of GDP). Some 24.4% of these outlays were allocated to work on infrastructure projects such as the Orange Walk By-pass, the Mussel Creek/Willows Bank road, the Marine Parade Boulevard, the Southern Highway, municipal roads/drainage projects and land development and acquisitions. Roughly another 16.0% was devoted to the University of Belize, strengthening of vocational & technical training, the Social Investment Fund (SIF), prison custodial services and payments to early retirees from the civil service. The balance covered a multiplicity of small projects ranging from tertiary level scholarships to rehabilitation of highways.

Financing for the fiscal deficit came largely from foreign sources as external loan disbursements totalled $432.9mn during the year with $248.1mn being applied to amortization. In addition, $130.0mn was paid to clear DFC's Caribbean mortgage securitization liabilities.

Central Government's Domestic Debt

Central Government's domestic debt rose by 8.5%, reflecting a $15.1mn rise in overdraft financing ($8.4mn from the Central Bank and $6.7mn from commercial banks) and $9.0mn in commercial bank term loan disbursements while amortization

Table V.2: Central Government's Domestic Debt

$mn

Instrument	2002	2003	2004
Loans & Advances	35.2	119.8	141.9
Treasury Bills	100.0	100.0	100.0
Treasury Notes	24.0	24.0	24.0
Defence Bonds	15.0	15.0	15.0
Debentures	-	-	-
Total	**174.2**	**258.8**	**280.9**

payments totalled $1.9mn. These increases pushed up the domestic debt to GDP ratio from 13.6% to 13.6%.

The largest principal payments were in respect of the GOB/US debt for nature swap agreement ($1.1mn) and to the DFC ($0.5mn). Other repayments were to the Belize Bank Limited and to the BSSB for housing loans.

In secondary trading, the commercial banks purchased $11.0mn worth of Treasury Bills, including $8.8mn sold by the Central Bank and $2.2mn from other institutions.

Interest payments summed to $16.8mn with $8.6mn being paid on the overdraft balance with the Central Bank and a total of $6.1mn going to holders of government securities. The latter included $2.6mn for Treasury Bills, $2.2mn for Treasury Notes and $1.3mn for Defense Bonds. The balance was shared among DFC, the Belize Bank and the GOB/US debt for nature swap account.

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

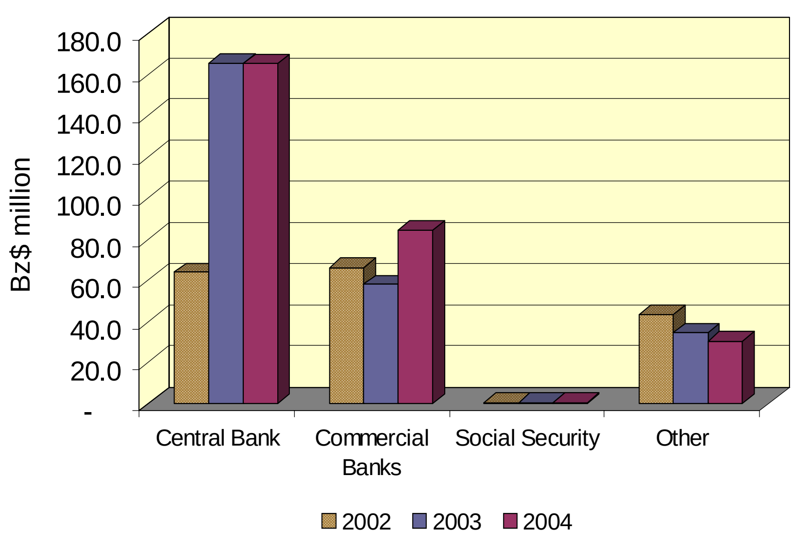


Table V.3: Public Sector External Debt by Source

	Outstanding Debt 31/12/2003	Disbursement	Amortization	Interest & Other Charges	Valuation Adjustments	Outstanding Debt 31/12/2004
Bilateral	244.8	34.1	23.9	13.2	1.2	256.2
Multilateral	354.5	45.4	19.9	12.7	2.4	382.4
Commercial Banks	897.7	353.8	214.2	86.4	0.0	1,037.3
Suppliers Credit	8.8	0.0	2.7	0.6	0.0	6.1
Total	1,505.8	433.4	260.7	112.9	3.5	1,682.0

External Public Sector Debt

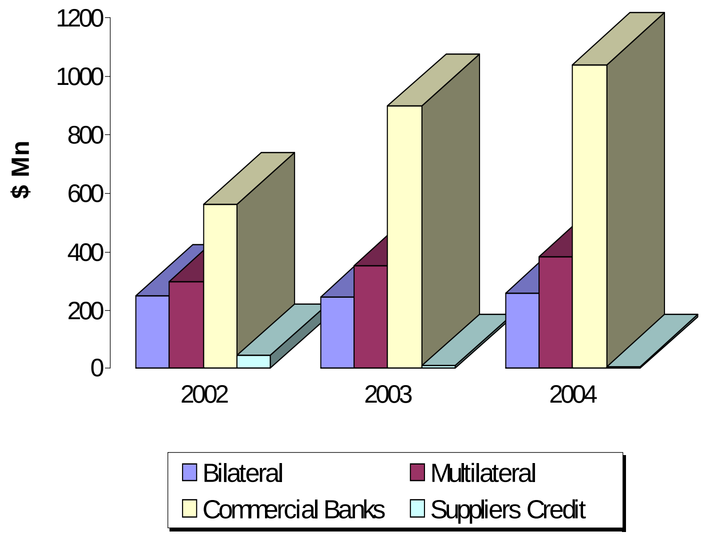
In 2004, the public sector's disbursed outstanding debt rose by $176.2mn (11.7%) to $1,682.0mn (81.2% of GDP). Disbursements (almost all of which were to Central Government) summed to $433.4mn. Principal payments amounted to $260.7mn of which $190.7mn was assigned for loan reprofiling. When the latter is excluded, debt service payments amount to $182.9mn, raising the external debt service ratio from 13.6% to 18.1%.

Approximately 82.0% of disbursements to Central Government were from commercial creditors. Included among these were $157.9mn from CMFS for the re-profiling of TIBoM loans, $139.2mn from the Royal Merchant Bank to refinance the Caribbean securitization liabilities of the DFC and $56.7mn from TIBoM for general government financing. Bilateral lenders (principally ROC/ Taiwan) extended $34.1mn for budget support and infrastructural activities. Disbursements from multilateral creditors totalled $41.9mn with CDB providing $26.0mn to finance various projects, among which were the Caribbean Court of Justice and the Orange Walk By-pass, and the IDB lending $15.1mn for hurricane rehabilitation and tourism development projects. CDB loans to the financial public sector tapered off further to $0.5mn during the year.

Central Government amortization payments totalled $248.1mn with $209.1mn (85.5%) going to commercial creditors. The latter included TIBoM, which received $192.7mn, a substantial part of which was used for debt reprofiling. Bilateral and multilateral creditors received $22.8mn and $14.5mn, respectively, and $1.6mn went to commercial suppliers. Payments of $10.5mn by the financial public sector were shared among commercial (59.0%), multilateral (37.1%)and bilateral (3.8%) lenders. Meanwhile, some $2.2mn in non-financial public sector loan amortization was in respect of loans from Kuwait and CIBC Bank & Trust Company.

Interest and other payments on the external debt rose by 35.2% to $112.9mn. Some 97.0% ($109.5mn) consisted of Central Government payments, of which $86.2mn went to commercial creditors that included such notables as Bear Stearns, TIBoM, Royal Merchant Bank ,and Salomon Smith Barney. These four received the combined sum of $74.2mn. Bilateral and multilateral creditors

Chart V.3: Sources of Public Sector External Debt



received $12.8mn and $10.1mn, respectively. Interest payments by the financial and non-financial public sector summed to $2.4mn and $1.0mn, respectively.

The appreciation of the euro, sterling and dinar against the US dollar caused the value of the external debt to be increased by $3.5mn, including upward adjustments of $2.3mn and $1.1mn for euro and sterling-denominated loans, respectively.

Foreign Trade and Payments

During 2004, the external current account deficit contracted by 12.1% to $364.7mn (17.6% of GDP) as a reduction in the visible trade deficit, increased inflows from tourism and current transfers eclipsed rising payments for freight, profit remittances and debt servicing. The deficit was largely financed by net capital and financial inflows of $267.7mn that consisted of foreign direct investments in the telecommunication, electricity and tourism sectors and additional loan disbursements. Financing was also provided through withdrawals of $62.7mn from the official reserves, which at year end stood at $106.5mn, the equivalent of 1.3 months of imports.

Merchandise Trade

A more substantial decline in imports relative to exports caused a 16.0% contraction in the merchandise trade deficit to $347.7mn (16.8% of GDP) during the year. Total exports declined from $631.0mn to $613.9mn as a reduction in Commercial Free Zone (CFZ) sales overshadowed increased earnings from domestic exports that were achieved in the face of depressed international prices. Gross imports declined by $83.2mn to $961.5mn with imports for domestic consumption and the CFZ down 6.7% and 14.7%, respectively. The latter was induced by the fall off in cross border trade

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

$mn

	2002 Net	2003 Net	2004 Net
CURRENT ACCOUNT	**-365.2**	**-414.9**	**-364.7**
Merchandise Trade	-374.4	-413.7	-347.7
Services	53.0	79.2	107.0
Income	-137.8	-171.0	-228.2
Current Transfers	94.1	90.6	104.2
CAPITAL ACCOUNT	**22.9**	**3.0**	**8.5**
FINANCIAL ACCOUNT	**280.7**	**368.7**	**259.2**
NET ERRORS & OMMISSIONS	50.9	-17.0	34.3
OVERALL BALANCE	-10.9	-60.1	-62.7
FINANCING	10.9	60.1	62.7
Memo Items			
Import cover in months	**3.2**	**2.1**	**1.3**
Current Account/GDP Ratio (%)	**-19.7**	**-21.2**	**-17.6**

Table VI.2: Balance of Payments - MerchandiseTrade

($mn)

	2002	2003	2004	Change
Goods Exports, f.o.b.	**619.4**	**631.0**	**613.9**	**-2.7%**
of which: Domestic Exports	316.7	381.4	408.3	7.1%
CFZ sales	298.6	236.8	218.9	-7.6%
Goods Imports, f.o.b.	**993.8**	**1,044.7**	**961.5**	**-8.0%**
of which: Free Circulating Area	789.2	877.7	819.0	-6.7%
CFZ	204.6	167.0	142.5	-14.7%
Merchandise Trade Balance	**-374.4**	**-413.7**	**-347.7**	**-16.0%**

associated with the tightening of Mexican customs' control and competitive gasoline prices in the Mexican border town of Chetumal.

Domestic Exports

Even with price declines in key commodities that restrained revenue growth for much of the year, more sales to preferential or high valued markets combined with increased volume drove up the value of domestic exports by 7.1% to $408.3mn by year-end.

Except for molasses and sawn woods, all export commodities expanded with the largest increases coming from sugar, garments, papayas and non-traditional exports. Sugar receipts benefited from an appreciation in the Euro to US dollar exchange rate, a pre-shipment of EU Protocol sugar and the successful marketing of increased volumes outside the volatile world market. Earnings were up for banana, garments and papayas as higher volumes compensated for lower prices while both volume and price improvements pushed up revenues from citrus oils, pepper sauces and other miscellaneous

Table VI.3: Domestic Exports

$mn

	2002	2003	2004
Traditional Exports	**302.3**	**367.6**	**388.1**
Sugar	66.0	71.2	79.7
Citrus Juices*	81.8	79.9	83.3
Citrus Concentrate	*67.2*	*78.0*	*79.3*
Not-from-Concentrate	*14.6*	*1.9*	*4.0*
Molasses*	2.7	2.5	1.8
Bananas	33.5	52.6	53.0
Marine	69.8	110.2	107.4
Garments	30.6	30.9	37.1
Sawn Wood	2.6	3.5	3.0
Papayas	15.3	16.8	22.8
Non-traditional Exports	**14.4**	**13.8**	**20.2**
Total Exports	**316.7**	**381.4**	**408.3**

Source: Central Statistical Office

* Value of export shipment and not sales.

non-traditional exports. In other developments, earnings of marine products declined as lower shrimp prices overshadowed both an increase in shrimp volume and higher prices for lobster and conch. Revenue from sawn wood continued to be depressed due to the increased share of lower valued woods in the export mix.

Sugar and Molasses

Rebounding to 2000 levels, sugar exports rose by 8.7% to 107,102 long tons while earnings increased by 11.9% to $79.7mn. Much of the revenue gain was due to an 8.2% improvement in the US to Euro exchange rate, a pre-shipment of Protocol sugar to the EU and increased sales to the CARICOM market. No sale of sugar to the volatile, depressed world market occurred, a milestone achievement for 2004.

The bulk (88.1%) of sales was to the EU and CARICOM markets. Shipments of EU Protocol sugar increased 12.4% due to the pre-shipment of some 5,886 long tons of the 2005 quota. On the other hand, sales of Special Preferential Sugar (SPS) declined sharply as nearly 3,000 long tons of the SPS allocation was deferred to 2005. Consequently, total EU exports rose by 3.5% to 47,965 long tons while earnings increased by 4.8% to $47.3mn. With a larger proportion of the higher priced Protocol sugar in the export mix, the final price per pound ended at US$0.22, up by US$0.02 over the previous year.

Notwithstanding a slightly higher US quota of 10,917 long tons, earnings from this market fell by 14.3% to $8.4mn mostly due to increased shipping costs and high US sugar inventories that pushed the average price per pound down from US$0.21 to US$0.17.

Sales to CARICOM more than quadrupled in volume to 46,367 long tons valued at $22.7mn as regional production contracted with the erosion of market preferences. An improvement in product quality and expansion in bagging capacity boosted

Table VI.4: Exports of Sugar and Molasses

$mn

	2002		2003		2004	
	Volume	Value	Volume	Value	Volume	Value
Sugar (long tons)*	**102,545**	**67.3**	**98,568**	**71.2**	**107,102**	**79.7**
E.U. (Quota long tons)	48,929	43.7	46,356	45.1	47,965	47.3
USA (Quota long tons)	11,014	9.6	10,888	9.8	10,917	8.4
CARICOM (long tons)	5,808	3.4	13,645	7.3	46,367	22.7
Other (long tons)	36,794	10.6	27,679	9.1	1,854	1.3
**Molasses (long tons) ** **	**36,482**	**2.8**	**37,753**	**2.8**	**32,706**	**2.6**

Source: Belize Sugar Industries, CSO

* Reflects value of export shipments.
** Relect actual sales as reported by the processor.

Box 5: EU Sugar Market Update

The EU market accounts for slightly less than half of the country's total sugar exports. This market faces several challenges (such as the Everything But Arms (EBA) Initiative, the Common Agricultural Policy (CAP) reform and the World Trade Organization (WTO) ruling against the EU) which threaten the survival of the domestic industry.

In March 2001, the EU implemented the EBA Initiative which grants duty-free access to all products without any quantitative restrictions, except for arms and ammunitions, from the world's Least Developed Countries (LDCs). In the case of sugar, full liberalization was not immediate; duty-free quotas were granted in 2002 based on the best LDC exports to the EU during the 1990s. These quotas were subject to an annual growth rate of 15.0% until 2009, after which market access would be completely unrestricted. The accompanying out-of-quota tariff was to be eliminated between 2006 and 2009, with a 20.0% reduction in July 2006, followed by 50.0% in 2007, 80.0% in 2008, and complete removal by 2009. As the EBA sugar exports grew, exports of the Special Preferential Sugar (SPS) from ACP producers declined. Since the introduction of the EBA Initiative, Belize's sugar export volume under the SPS agreement halved in two years, falling from 8,467 long tons in 2001 to 4,275 long tons in 2003. These exports should reduce to zero by 2006.

On October 2004, the WTO Panel released its final report against the EU sugar regime based on a challenge mounted by Australia, Brazil, and Thailand. The panel found that the EU exports up to four times more sugar than it is entitled to and that the sugar is unfairly subsidized. These EU exports included amounts equivalent to the volume of sugar imported from ACP countries under preferential arrangements. Although the EU plans to appeal the ruling, very little hope exists that the decision will be changed. Meanwhile, the WTO ruling has provided the EU with another compelling reason to reform the sugar program as part of the reform of its Common Agricultural Policy (CAP). The support payments made under the CAP to European farmers are unsustainably expensive and becoming more so with the expansion of the EU.

The premise of the sugar market reform is to reduce subsidies paid to EU farmers for sugar production and consequently reduce the volume of EU production. With a reduction in the EU intervention price, ACP producers will also see a reduction in the price received for their exports to the EU. The EU had initially proposed to begin the price cuts in July 2005 but has deferred the price cut until July 2006, at which time the reductions will be phased in over a two year period to allow ACP sugar producers a bit more time to make necessary adjustments to cope with the lower prices. For Belize's raw sugar, the proposed change will amount to a reduction of the institutional support price from €523 to €329 per tonne, equivalent to a 37.0% price cut. While the EU proposes to compensate its sugar beet farmers by up to 60.0% of income losses through payments decoupled from production, the EU is looking to assist ACP producers to adapt to new market conditions through the introduction of specific programmes under the European Development Fund. The EU sees the new Economic Partnership Agreements as a tool that ACP countries can use to maintain access to the EU market. For ACP producers, this is of scant comfort as the economies face the reality of sharp cuts in prices within a time span that many claim is too short for meaningful adjustment policies.

the sale of bulk and bagged sugar to Trinidad & Tobago, Antigua and Jamaica. The average price per pound, however, declined from US$0.12 to US$0.11, mostly due to higher freight costs.

Exports to other markets totalled 1,854 long tons ($1.3mn) and consisted of bagged sugar sold to Canada and Curacao at an average of US$0.16 per pound, more than double world market prices.

While exports of molasses declined 13.4% to 32,706 long tons, the earnings loss was less than proportionate (5.1% to $2.6mn) as prices rose by 9.6% to $80.87 per long ton due to a contraction in Asian supplies and a surge in Indian demand.

Citrus Juices and Pulp

The market for citrus juices was very depressed as good global harvests, large juice inventories and uncertainties associated with the progress of global trade talks contributed to its destabilisation and resulted in prices for orange juices plummeting to record low levels during most of the year. Consequently, even though intensive marketing efforts increased sale volume by 4.1% to 28.0mn ps, revenues declined precipitously by 19.4% to $46.9mn. At 27.7mn ps and $45.6mn, concentrate juices made up the bulk of exports.

Table VI.5: Export Sales of Citrus Juices and Pulp*

	2002	2003	2004
Concentrate ('000 ps)	**25,285**	**26,267**	**27,716**
Orange	22,194	21,605	22,688
Grapefruit	3,091	4,662	5,028
Concentrate value ($mn)	**54.3**	**55.1**	**45.6**
Orange	46.2	43.5	33.2
Grapefruit	8.1	11.6	12.4
Not-from-concentrate Exports ('000 ps)	**640**	**644**	**296**
Orange	263	329	67
Grapefruit	377	315	229
Not-from-concentrate Value ($mn)	**3.3**	**3.1**	**1.3**
Orange	1.1	1.4	0.3
Grapefruit	2.2	1.7	1.0
Pulp Export ('000 pounds)	**703**	**481**	**326**
Pulp Value ($mn)	**0.4**	**0.3**	**0.2**

Source: Citrus Products of Belize Ltd

* Reflects actual sales as reported by the processor and not the value of export shipments as reported by the CSO. Export shipments go to inventory for sale at a later point in time.

With good harvests causing a reduction in Caribbean demand, a higher share (79.3% compared to 62.0% in 2003) of orange concentrates went to the US where prices were very depressed as a result of large inventories and a resurgence of popular weight loss diets that contributed to a declining trend in per capita juice consumption. Even after the hurricanes that damaged Florida citrus groves, the expected hike in orange juice prices was very weak. A 34.4% increase in sale volume to the US was consequently not enough to offset a $0.53 decline in the average price per pound solid to $1.27 and earnings declined by 5.2% to $22.8mn. Sales of orange concentrate to the Caribbean, on the other hand, contracted by 32.3% in volume and 32.6% in value. Sales of orange freeze concentrate were minimal, amounting to 0.2mn ps valued at $0.6mn. For a second consecutive year, no orange concentrate was sold to Europe, a market dominated by Brazil.

Unlike orange, hurricane damage to Florida grapefruit groves caused a significant price rally that offset lower prices in the first part of the year and enabled the average prices for grapefruit juices to regain and even supercede its 2003 level. However, the industry was unable to take full advantage of this due to existing sale commitments. At year end, exports of grapefruit concentrate saw volume and value increases of 7.9% and 7.8%, respectively. Europe, the major grapefruit juice market, accounted for 83.7% of exports, while Caribbean market share shrank from 22.9% in 2003 to a mere 5.9%. Exports of grapefruit freeze concentrate revived somewhat during the year, amounting to 0.5mn ps valued at $1.9mn.

Sales of NFC, (77.4% of which was grapefruit), more than halved to 0.3mn ps valued at $1.3mn. The decline was partly attributable to the focus on concentrates as the main export product to traditional markets. The volatility of the juice market also affected pulp exports, which declined by 32.3% in volume and 22.3% in value.

Banana

Higher yields and some flexibility in the marketing agreement led to an 8.8% volume increase in banana exports to 79,428 metric tons. Revenues, on the other hand, rose by a marginal 0.8% to $53.0mn because of the negotiated reduction in the average box price (from US$6.50 to US$6.20) and a marked increase in the shipment of second-class bananas.

While prices during the year averaged to US$6.20, the marketing agreement provided for a price of US$6.93 for the first 26 weeks of the year, and thereafter, a gradual reduction over five weeks to end at US$5.34 for the rest of the

Table VI.6: Exports of Bananas

	2002	2003	2004
Volume (metric tons)	41,737	73,016	79,428
Value ($mn)	33.5	52.6	53.0

Source: Central Statistical Office

year. To encourage consistency in export supply, a "dead freight" penalty was applicable if shipments fell below 70,000 boxes per week although this was waived if alternative products used the available space.

Unlike the previous year when the industry had to pay for additional import licenses to accommodate all its export volume, the marketer waived the license cost. In return, Fyffes demanded a larger quantity of second class fruit – some 12.0% (9,632 metric tons) of total volume compared to only 2.6% (1,914 metric tons) in 2003. Second-class bananas normally sell at US$2.50 per box, less than half the price of the first-class bananas. In the latter half of the year, a higher price (about US$1.00 more) was paid on second-class bananas on the condition that first class fruit was used in the packs. While no dead freight penalties were incurred during the year, the stringent quality standards cut returns by some US$0.06 per box. At the end of the year, the industry price averaged $11.93 per box, down $0.76 from the $12.69 netted in 2003.

Marine Products

Marine products maintained its position as lead export earner with farmed shrimp as the number one revenue earner. Higher sales of all marine commodities pushed the total upward by 7.7% to 18.4mn pounds, but revenues fell by 2.5% to $107.4mn as lower earnings from shrimp outweighed increased receipts from lobster, conch, whole/fillet fish and others.

Shrimp exports continued to grow with volume rising by 5.9% to 17.0mn pounds. However, revenues declined by 8.2% to $85.2mn as the US market was flooded by supplies from low cost

Box 6: EU Banana Market Update

The successful challenge to the EU banana import regime led to an EU commitment to bring its regime into conformity with WTO principles by 1 January 2006, through the implementation of a tariff only regime.

Under the current quota system, Latin American banana suppliers can export up to 2.7mn tonnes of banana per year at a tariff of €75 per ton. Any amount above the quota attracts a tariff of €680 per ton. Under the proposed new system, all quotas would be disbanded and a tariff would be levied on non-ACP banana that would be specifically set to maintain market shares and market access for ACP producers. On 27 October 2004, the EU Trade Commissioner finally announced the long awaited decision to impose a duty of €230 (US$300) per ton starting in 2006.

This has fuelled further controversy with Latin American banana exporters declaring that they prefer a tariff rate of €75 per ton and vociferously decrying the proposed tariff. On the other hand, the ACP countries including CARIFORUM banana exporters maintain that the tariff is too low with the Caribbean countries pushing for a tariff of €275 per ton. The situation remains unsettled and it is unknown if a challenge to the proposed tariff level would be successful.

producers in Asia and Latin America and the average price fell from $5.78 to $5.01 per pound. The price down-turn squeezed profit margins, prompting local producers to undertake exploratory export forays into the European market where prices were generally higher and to concentrate more seriously on value added products. Some exports to Mexico also occurred during the year.

Wild capture of lobster remained stable with exports amounting to 0.5mn pounds while revenues rose by 11.4% to $15.1mn due to an upturn in the US dining out market that translated into a 10.9% price improvement to $28.14 per pound.

Increasing for the third consecutive year, conch exports rose to 0.6mn pounds with earnings up by 55.3% to $5.8mn. Revenues were boosted by higher volume as well as an increase in prices resulting from a US moratorium on conch imports from Honduras, Haiti, and the Dominican Republic. The latter caused prices to rise from $8.31 per pound in 2003 to $9.75 in 2004.

The whole/fillet fish category saw the biggest percentage increase during the year with the export launch of fresh tilapia fish fillet. Some 0.3mn pounds of whole/fillet fish were sold, a 15-fold increase over the previous year, while receipts rose from $0.03mn to $1.2mn. With the US market for fresh tilapia growing at double digit rates (30.0% in 2004), Belize is well positioned in proximity to develop a strong and viable 'niche hold'.

Exports of other marine products, namely stone crab, were minimal.

Other Major Exports

Garment exports totalled 3.9mn pounds valued at $37.1mn, increases of 21.9% in volume and 20.1% in value when compared to the previous year.

Exports of sawn wood remained relatively stable at 1.1mn board feet. However, a larger quantity of lower valued woods in the export mix caused export proceeds to decline by 16.7% to $3.0mn.

Table VI.7: Exports of Marine Products

	2002		2003		2004	
	Volume ('000 lbs)	Value ($'000)	Volume ('000 lbs)	Value ($'000)	Volume ('000 lbs)	Value ($'000)
Lobster Tail	486	13,673	521	13,511	505	14,980
Lobster Head	43	311	15	87	33	162
Shrimp*	6,631	52,658	16,052	92,762	16,999	85,153
Conch	419	3,054	450	3,741	596	5,810
Whole/Fillet Fish	38	125	24	30	251	1,228
Other	0	0	1	26	3	38
Total	**7,617**	**69,821**	**17,063**	**110,157**	**18,387**	**107,371**

Source: Central Statistical Office

* Reflects value of export shipments, not sales.

Box 7: Anti-dumping Duty Investigation of U.S. Shrimp Imports

After several years of declining shrimp prices in the wake of a flood of low cost shrimp imports from Asia (India, China, Thailand and Vietnam) and South America (Brazil and Ecuador), several shrimp producer groups in the US banded together to file petitions with the U.S. International Trade Commission (ITC) and the U.S. Department of Commerce (DOC) to investigate whether these imports were being sold below fair market value or were benefiting from government subsidies in their home countries. As preliminary investigations did reveal that injury was caused to the US domestic industry, preliminary anti-dumping margins for shrimp exporting companies in the six countries that accounted for 73.0% of imported shrimps in 2003 were released. These duties ranged from 0.07% to 112.81% for China, 4.13% to 25.76% for Vietnam, 9.69% to 67.80% for Brazil, 2.35% to 4.48% for Ecuador, 5.02% to 13.42% for India, and 5.79% to 6.82% for Thailand. The DOC and ITC will release its amended final dumping margins in January 2005. As the anti-dumping duties are levied on individual companies, the amendments mostly relate to the success of some suppliers in obtaining their own company rate which is usually lower than the rate set for the country.

The investigation covered frozen and canned products from warm water shrimp species and excluded shrimp suppliers from Mexico, Bangladesh and Indonesia. While the ruling has raised the import cost of shrimp from some companies, it is unlikely that shrimp prices will return to the very high levels of the previous years when prices were above US$5 per pound. The viability of the Belize shrimp industry will therefore depend on the producers' ability to reduce costs and increase margins through more creative value added products.

The placement of mahogany on the endangered species list of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) in late 2003 has slowed exports of this premium wood since mahogany can only be exported from forests that have been certified as managed in a sustainable manner.

Holding its own against stiff competition from Mexico and Brazil, Belize's papaya industry expanded during the year and boosted export volume to the US by 52.3% to a record high 55.6mn pounds that garnered some $22.8mn. This growth was facilitated by declining production from Hawaii and growing US consumer demand. High export availability, especially with oversupply from Mexico, managed to drive down prices even further this year so that the recorded average price per pound fell by 10.9% to $0.41 in 2004. While competition has intensified, Belize was able to maintain its market because of its consistent supply of high quality papayas and increased sales and marketing efforts.

Non-traditional Exports

Non-traditional exports expanded by 45.9% to $20.2mn, as exports of citrus oils, pepper sauces and a medley of miscellaneous, non-traditional products increased robustly. Aggressive marketing of citrus oils to increase the revenue potential of the citrus industry drove up sales substantially from

Table VI.8: Other Major Exports

	2002	2003	2004
Garments			
Volume (mn lbs)	3.3	3.2	3.9
Value ($mn)	30.6	30.9	37.1
Sawn Wood			
Volume ('000 bd ft.)	1,087	1,053	1,052
Value ($mn)	2.6	3.5	3.0
Papayas			
Volume ('000 lbs)	24,133	36,522	55,607
Value ($mn)	15.3	16.8	22.8

Source: Central Statistical Office

$0.9mn in 2003 to $3.7mn. Sales of fresh citrus fruit also increased 43.3% in volume to 15.1mn pounds. Revenues, however, declined by 12.2% to $2.1mn because of a $0.09 drop in the average price per pound to $0.14. Benefitting from a surge in demand attributable to cruise tourists, exports of pepper sauces expanded 63.0% in volume to 0.7mn pounds and 84.9% in value to $1.1mn. On the down side, a decline in sales of black-eye peas outweighed a small increase in exports of red kidney beans so that the value of total bean exports contracted modestly.

Box 8: U.S. Country-of-Origin Labeling Legislation

In a move clearly designed to encourage U.S. consumers to buy food items that are domestically produced, the U.S. government passed the 2002 Farm Bill, which requires that the U.S. Department of Agriculture develop regulations mandating that U.S. retailers provide country-of-origin labels (COOL) for red meats (beef, lamb and pork), fish and shellfish, fresh and frozen fruits and vegetables, and peanuts. On January 2004, the Consolidated Appropriations Act delayed the implementation of the mandatory COOL until September 30, 2006, for all covered commodities, except wild and farm-raised fish and shellfish. The interim final rules for the implementation of the regulation for fish and shellfish were published on October 2004, and will go into effect on April 4, 2005. Under the interim final rules, fish and shellfish, which include fillets, lobster and shrimps, must be labeled at retail to indicate their country of origin and method of production, that is, if the commodity is either wild or farm raised.

The COOL requirement will affect retail businesses, such as supermarkets, and their suppliers, from fish farmers and harvesters through processors and wholesalers. Since retailers are those defined under the Perishable Agricultural Commodities Act, most fish markets would be exempt. The regulation also exempts food service establishments (such as restaurants, food stands etc.) and seafood used in processed food. Processed food is defined as seafood items that have changed in character through processing or has been combined with another covered commodity or other substantive food components.

While it is unknown how the labeling will affect the demand for Belizean seafood products, the regulation will increase record keeping, labeling and operating costs for many suppliers of the affected commodities.

Re-exports

Re-exports declined by 10.7% to $232.4mn reflecting reductions in sales from the CFZ and the customs' territory of 7.6% and 42.6%, respectively. Cross border sales at the CFZ fell as customs' regulations at the northern border further tightened and fuel prices in the Mexican border town of Chetumal remained lower than that in the CFZ. The fall in re-exports from the customs' territory was largely due to an $11.1mn contraction in 'Machinery and Transport Equipment'. The latter had been unusually high in 2003 due to the re-exportation of generators rented by the electricity company. Other smaller declines were recorded in 'Food and Live Animals' and 'Mineral Fuel and Lubricants' but these were partly offset by a $1.2mn increase in 'Manufactured Goods' such as household tools, building structures and razors.

Gross Imports

Gross imports (f.o.b.) contracted by $83.2mn, with respective declines of $58.7mn and $24.5mn for goods imported into the customs' territory and the CFZ. Imports of all categories of goods fell except "Beverage and Tobacco", "Crude Materials", "Minerals, Fuels and Lubricants" and "Manufactured Goods". The largest reduction was in "Machinery and Transport Equipment" ($28.3mn), as imports of large capital items (such as electric generators, airplanes and heavy construction machinery) that occurred in 2003 were not repeated in 2004. Similarly, imports by the Export Processing Zones were lower ($17.2mn) in contrast to the previous year when major outlays were made for telecommunication infrastructure and factory expansion. CFZ imports also contracted as cross border sales plummeted. On the other hand, a substantial increase in the acquisition costs of fuel products boosted payments for 'Fuels and Lubricants' by $19.1mn while an increase in outlays for steel and cement were largely responsible for a $7.3mn increase in 'Manufactured Goods'.

Direction of Visible Trade

The UK and the US remained Belize's main trading partners, accounting for 74.8% of total export proceeds. While a greater volume of products were shipped to the US, its market share declined slightly to 55.1% due to depressed prices for raw sugar, citrus juices and farmed shrimp. The proportion of sales to Europe remained stable at 29.8% but earnings from the UK narrowed by 4.8% to 19.7% while proceeds from other European countries expanded by 4.7% to 10.1% due to a shift in banana shipments from the UK to Ireland. The share of exports to CARICOM continued its steady yearly increase, moving from 8.4% to 11.4% as sales of sugar to this market more than tripled with the move away from the depressed world market.

Although the US continued to be the principal source of imports, its market share declined from 42.5% to 38.7%, largely due to lower imports of construction, electrical and transportation equipment and books. Modest declines were recorded in imports from the UK, Other EU

Table VI.9: Direction of Visible Trade

Percentage

	Exports*			Imports		
	2002	2003	2004	2002	2003	2004
United Kingdom	21.6	24.5	19.7	3.1	3.1	2.3
Other EU	8.5	5.4	10.1	5.0	5.1	3.9
United States	56.3	55.5	55.1	42.2	42.5	38.7
Mexico	1.6	1.5	1.4	7.8	7.9	10.3
CARICOM	6.5	8.4	11.4	3.1	2.7	2.6
Central America	1.4	1.1	0.4	16.6	16.6	19.1
Canada	0.7	0.2	0.2	1.6	1.2	1.2
Other Countries	3.4	3.4	1.7	20.5	21.3	21.9
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Central Statistical Office
* excludes CFZ sales

and CARICOM. In contrast, Central America's share rose from 16.6% to 19.1% reflecting greater expenditure on steel, cement and mineral water while large diesel oil purchases from Mexico, and to a lesser extent, increased payments for aluminium zinc, pushed its share upwards from 7.9% to 10.3%.

Services

Bouyant activity in the tourism sector underpinned a 35.1% rise in net receipts from services during the year. Tourism earnings were up by 13.6% with the surge in cruise ship and moderate growth in over-night arrivals pushing net inflows from travel services upward by 25.8% to $183.6mn while travel outlays fell by 6.8% due to a modest decline in the number of residents travelling abroad. At $33.7mn, the net outflow for transportation was virtually unchanged as a substantial hike in ocean freight costs was offset by increased earnings of shipping agents who provided services to cruise ships that increased their port calls to Belize by 28.9%. Financial fees associated with public debt refinancing pushed net

Table VI.10: Balance of Payments - Services, Income and Current Transfers

$mn

	2002			2003			2004		
	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net
Services	**313.9**	**260.9**	**53.0**	**357.3**	**278.1**	**79.2**	**398.3**	**291.3**	**107.0**
Transportation	36.2	74.9	-38.7	44.3	78.6	-34.3	54.8	88.5	-33.7
Travel	205.8	85.1	120.7	234.3	88.3	146.0	265.9	82.3	183.6
Other Goods and Services	41.6	83.2	-41.6	46.5	92.9	-46.4	53.9	104.1	-50.2
Govt. Goods and Services, N.I.E	30.2	17.8	12.4	32.2	18.3	13.9	23.8	16.3	7.5
Income	**7.9**	**145.7**	**-137.8**	**8.4**	**179.4**	**-171.0**	**7.9**	**236.1**	**-228.2**
Labour Income*	3.8	8.4	-4.6	5.0	10.9	-5.9	4.9	12.4	-7.5
Investment Income	4.1	137.3	-133.2	3.4	168.5	-165.1	3.0	223.7	-220.7
Current Transfers	**98.2**	**4.1**	**94.1**	**95.5**	**4.9**	**90.6**	**108.6**	**4.4**	**104.2**
Government	21.9	0.4	21.5	5.5	0.2	5.3	27.4	0.2	27.2
Private	76.2	3.7	72.5	89.9	4.7	85.2	81.2	4.2	77.0

*Payments to non-resident workers were revised from 1999 to 2004 based on a field survey of non-resident seasonal and border workers conducted in 2004.

outflows for other goods and services up by 8.2% to $50.2mn while net receipts for government goods and services declined by almost half to $7.5mn as inflows to foreign embassies and international and regional organizations were cut back by more than 50.0%.

Income

Net outlays for non-resident labour and capital increased by 33.5% to $228.2mn as an expansion in agricultural production drove up the demand for foreign workers, while increases in profit remittances, reinvested earnings and interest drove up capital costs. Meanwhile, interest earned on the official reserves declined further due to lower deposit holdings abroad and depressed international interest rates.

Current Transfers

Net receipts from current transfers rose by $13.6mn to $104.2mn as a $21.4mn increase in official grants to Government overshadowed an $8.2mn contraction in private remittances. Grants from the ROC / Taiwan pushed government receipts up more than four fold to $27.4mn while inflows to other sectors dropped by 9.7% to $81.2mn with a fall in donations in kind. Cash transfers, however, rose due to increases in insurance claims, western union settlements and charitable donations to religious and non profit organizations.

Capital and Financial Accounts

The surplus on the capital account more than doubled to $8.5mn as Belize benefited from debt forgiveness programs. A total of $7.4mn was forgiven under the British Government's Commonwealth Debt Initiative program and the 2001 USAID Debt for Nature Swap Agreement.

Foreign direct investment and public sector debt restructuring featured prominently in the $259.2mn received in net financial inflows. With loan disbursements almost matched by debt repayments, financial inflows were mostly attributable to strong investor activity. Major transactions included the sale of Belize Telecommunication Limited (BTL) shares, construction of a new casino adjacent to the Mexican border, the development of numerous hotel and restaurant establishments, real estate and property development, the sale of BSSB's remaining 5.0% share interest in Belize Electric Company Limited to Fortis Ltd., the construction of the Chalillo Dam and the acquisition of Intelco's assets. This contrasted with the previous year when Carlisle Holdings Limited divested its shares in BTL and reduced investments to a net outflow of $2.7mn.

Debt activities of significance included the issuance of new bonds and notes, the proceeds of which were used to refinance three loans from the International Bank of Miami and the Caribbean mortgage securitisations. A slowdown in private sector borrowing coupled with an increase in

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

$mn

	2002 Net	2003 Net	2004 Net
CAPITAL ACCOUNT	**22.9**	**3.0**	**8.5**
General Government	5.9	1.5	7.4
Other Sectors	17.0	1.6	1.1
FINANCIAL ACCOUNT	**280.7**	**368.7**	**259.2**
Direct Investment Abroad	0.0	-0.7	-0.1
Direct Investment in Belize	48.5	-2.7	255.1
Portfolio Investment Assets	0.0	-0.3	-0.5
Portfolio Investment Liabilities	253.2	151.1	151.3
Financial Derivatives Assets	1.7	1.4	1.1
Financial Derivatives Liabilities	0.0	0.0	0.0
Other Investment Assets	6.7	-26.6	-14.8
Monetary Authorities	0.0	0.0	0.0
General Government	-8.0	-6.0	-6.0
Banks	20.3	-6.0	-10.6
Other Sectors	-5.6	-14.6	1.8
Other Investment Liabilities	-29.4	246.6	-132.9
Monetary Authorities	-66.0	-5.2	-8.0
General Government	-22.2	104.6	-106.0
Banks	-2.8	60.4	1.2
Other Sectors	61.6	86.7	-20.2
CHANGES IN RESERVES (Minus = Increase)	**10.9**	**60.1**	**62.7**

amortisation payments led to a net financing outflow, in contrast to the previous year when a surge in loan disbursements for projects such as telecommunication and factory expansion led to a net inflow. Similarly, net borrowing by the commercial banks also resulted in an outflow of funds as the banks reduced their external borrowings and made amortisation payments for

Table VI.12: Official International Reserves

$mn

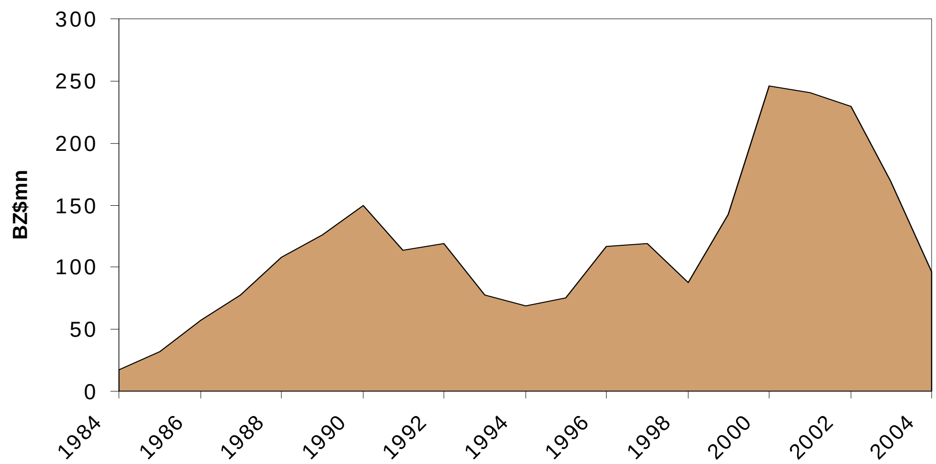
	Position as at			Changes during 2004
	Dec-02	Dec-03	Dec-04	
Gross Official International Reserves	**229.3**	**169.2**	**106.5**	**-62.7**
Central Bank of Belize	**212.5**	**152.4**	**79.6**	**-72.9**
Holdings of SDRs	4	4.6	5.1	0.5
IMF Reserve Tranche	11.4	12.5	13.1	0.6
Other	197.1	135.3	61.4	-73.9
Central Government	**16.8**	**16.8**	**27.0**	**10.2**
Foreign Liabilities	**6**	**5.8**	**2.8**	**-3.0**
CARICOM	1.5	0.8	0.1	-0.7
Other	4.5	5	2.7	-2.3
Net Official International Reserves	**223.3**	**163.4**	**103.7**	**-59.7**

loans contracted in the previous year.

Official International Reserves

Gross official reserves declined by $62.7mn to $106.5mn during the year as reserves were drawn down to facilitate external debt servicing. Central Bank's holdings of foreign assets fell by $72.9mn while central government's position rose by $10.2mn. After deducting $2.8mn to cover demand foreign liabilities, the net official reserves stood at $103.7mn.

Chart VI.3: Gross Official International Reserves



Economic Prospects

Growth in the economy is not expected to exceed 3.0% in 2005 as monetary and fiscal policies are tightened to restrain excessive growth in domestic demand and bring further improvements to the external current account position. The government is presently projecting an overall deficit of approximately 2.8% of GDP for fiscal 2005/2006. Targeted tax hikes combined with further tightening of commercial bank reserve requirements to decelerate money supply growth and facilitate the buildup of official reserves should therefore exercise a general dampening effect on consumption.

The outlook for export agriculture is more upbeat. After experiencing a challenging year when prices for key commodities declined sharply, freight rates soared and domestic costs increased, the export sector has focused on becoming more streamlined and developing strategies to improve value added and competitiveness. This is expected to boost domestic export earnings by approximately 10.0% in 2005.

Except for sugarcane, all major export crops are forecasted to expand, while output of livestock and basic grains should remain stable. Because of drought during the growing season, sugarcane deliveries are expected to decline by 4.3% to 1.1mn long tons, which should yield some 110,000 long tons of sugar and 40,400 long tons of molasses. Consequently, even with all sales once again going to preferential or niche premium markets and a temporary stay in the EU's sugar support price cuts, sugar exports is likely to contract by 6.4% in volume to 97,800 long tons and by 9.0% in value to $73.0mn. Exports of molasses should remain relatively steady at 36,630 long tons valued at $3.0mn.

Improved management and greater input usage was expected to boost citrus production by at least another 1.0% to 6.8mn boxes for 2004/2005. However, based on deliveries to the end of 2004, indications are that this figure could be as high as 7.5mn boxes, which would be an all-time record breaker. Production of citrus juices should increase by 4.4% to 36.4mn pound solids (ps), while pulp cell and oil output should more than quadruple to 7.3mn pounds. The resurgence in grapefruit juice prices (due to hurricane destruction of the Florida groves) and a small rally in orange juice prices along with aggressive marketing should therefore ratchet up juice exports by 29.8% in volume to 36.6mn ps and by an ambitious 71.0% in value to $80.3mn. Sales of pulp cells and oils, a large part of which is already contracted, are expected to yield another $8.3mn. In addition, the industry plans to launch an array of juice mixtures during the year targeted at export as well as domestic markets.

With continued EU assistance to improve productivity and the more uniform supply of high quality banana throughout the year, banana exports should rise by 3.5% to 81,640 metric tons, the highest volume to date. However, a US$0.20

reduction in the average box price to US$6.00 is expected to keep revenue stable at $52.0mn. Papaya export is poised for an 8.0% increase to 60.0mn pounds and $25.0mn as demand in the US continues to grow.

Marine commodities are once again expected to lead the export thrust, with shrimp export volume expected to expand by 9.7% to 18.7mn pounds and revenues rising by 18.4% to $100.9mn as producers gradually move into more value added products and explore more lucrative markets regionally and in Europe. After surmounting teething problems, export of fresh tilapia fillets should swing into full production during the year and more than double to 0.6mn pounds valued at $3.5mn. While the anticipated wild capture of conch should decline by 13.6% to 0.5mn pounds, revenue will be up 15.2% as prices rise due to a shortage of supply from other exporting countries. On the other hand, the volume of lobster exports should remain stable at 0.5mn pounds but a moderate price increase should raise revenue by 7.9% to $16.3mn as the dining out market strengthens.

With increases in citrus agro-processing being offset by a contraction in sugar, the performance of the secondary sector is likely to be mixed . Although the utilities are presently agitating for further rate increases, activity in the sector should remain largely stable while construction activities will face both expansionary and contractional forces. While the deceleration associated with the government's austerity measures should have a negative impact, several large construction projects mostly financed from external sources, such as the US Embassy, the Chalillo dam construction and the Carnival port facility, will come on stream or continue in 2005.

Growth in services is expected to slow considerably, even with a projected 10.0% increase in cruise ship arrivals and 5.0% growth in stay-over tourists. Slower credit growth aimed at reining in the balance of payments deficit will directly impact the merchandising sub-sector, while fiscal restraint will be seen in a lower level of government activity.

The one-off effect of the increase in taxes (environmental, sales and 'sin' taxes) that the government will be implementing should push the inflation rate above 4.0% during the year. With respect to levels of employment, no significant change appears likely given offsetting prospects for agricultural output, construction and services.

Foreign Exchange Operations

In 2004, the Central Bank's trade in US dollars, Canadian dollars, and Pound Sterling resulted in net sales of $72.7mn. Sales exceeded purchases in seven months of the year with an average net monthly outflow of $26.5mn during this period. Purchases were highest in April because of ICC payments to BSSB for its BTL shares, while the largest sales occurred in December due to government debt reprofiling. Trade in CARICOM currencies (largely in Barbadian and Eastern Caribbean dollars) resulted in net sales of $1.5mn during the year.

External Assets Ratio

Section 25(2) of the Central Bank of Belize Act 1982 requires the Bank to maintain external assets reserves of not less than 40.0% of the aggregate amount of notes and coins in circulation and the Bank's demand and time deposit liabilities. The ratio peaked in May at 60.5% following inflows from the sale of BTL shares and bottomed out at 32.3% in December as a result of debt servicing and reprofiling. Cash and fixed deposits comprised some 67.8% of the Bank's external assets at the end of December. Foreign securities and holdings

Table IX.1: Central Bank Dealings in Foreign Exchange 2004

$mn

Month	US $, Canadian $, and UK £			CARICOM Currencies		
	Purchases	Sales	Net	Purchases	Sales	Net
January	50.7	24.6	26.2	0.00	0.12	-0.12
February	11.2	62.0	-50.8	0.00	0.25	-0.25
March	47.6	29.5	18.1	0.00	0.11	-0.11
April	76.3	33.9	42.3	0.00	0.15	-0.14
May	11.8	26.2	-14.4	0.00	0.25	-0.25
June	11.8	50.1	-38.3	0.00	0.37	-0.37
July	24.6	24.0	0.6	0.21	0.03	0.18
August	16.8	40.9	-24.1	0.01	0.09	-0.08
September	14.5	25.4	-10.9	0.02	0.12	-0.10
October	6.1	13.2	-7.2	0.00	0.21	-0.21
November	32.0	6.4	25.7	0.00	0.02	-0.01
December	49.4	89.2	-39.8	0.00	0.04	-0.04
Total	**352.6**	**425.3**	**-72.7**	**0.25**	**1.76**	**-1.51**

Table IX.2: External Assets Ratio 2004

MONTH	Assets $mn	Liabilites $mn	External Asset Ratio (%)
January	175.4	284.9	61.57
February	123.6	256.4	48.21
March	147.0	265.7	55.33
April	186.8	320.2	58.34
May	170.9	282.4	60.52
June	133.4	230.4	57.90
July	133.1	230.4	57.77
August	113.8	229.6	49.56
September	105.1	231.5	45.40
October	95.9	217.4	44.11
November	119.9	215.5	55.64
December	79.0	244.8	32.27

Does not include Central Government Foreign Assets

of Special Drawing Rights with the International Monetary Fund accounted for 25.7% and 6.5%, respectively.

Relations with Commercial Banks

Cash Balances

During the first half of the year, commercial banks held a consolidated average of $71.3mn with the Central Bank, averaging some $6.7mn in excess of the legal requirement. While average holdings held steady up to November, excess reserves shrank to an average of $1.7mn over the July-November period as monetary growth was driven upward by a surge in credit. In the beginning of December, the Central Bank increased the cash reserve requirement from 6.0% to 7.0% of average deposit liabilities to reduce demand for foreign exchange and shore up reserves. At year end, cash balances held with the Central Bank consequently rose to $84.7mn.

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

$mn

MONTH	Average Deposit Liabilites	Required Cash Reserves	Actual Cash Holdings	Excess/ (Deficit)
January	1,064.8	63.89	75.72	11.83
February	1,063.7	63.82	77.54	13.71
March	1,075.8	64.55	67.15	2.60
April	1,072.7	64.36	65.47	1.11
May	1,076.9	64.62	70.17	5.55
June	1,100.4	66.02	71.45	5.43
July	1,133.6	68.02	68.11	0.09
August	1,158.3	69.50	69.98	0.48
September	1,159.0	69.54	72.06	2.53
October	1,168.3	70.10	76.22	6.12
November	1,170.4	70.22	69.55	-0.67
December	1,189.6	83.27	84.74	1.47

Table IX.4: Currency in Circulation 2004

$mn

MONTH	Notes	Coins	Total	Commercial Bank Vault Cash	Currency with the Public
January	107.6	12.7	120.3	17.7	102.6
February	110.2	12.8	123.0	16.3	106.7
March	111.8	12.9	124.7	22.2	102.5
April	109.8	13.0	122.8	17.3	105.5
May	111.3	13.1	124.4	19.8	104.6
June	114.8	13.1	128.0	21.2	106.8
July	118.2	13.2	131.4	20.1	111.3
August	118.1	13.4	131.5	25.0	106.4
September	116.0	13.4	129.4	23.3	106.1
October	117.4	13.3	130.7	20.1	110.6
November	119.9	13.4	133.3	23.6	109.7
December	128.3	13.6	141.9	26.6	115.3

Currency in circulation totaled $141.9mn at the end of December, some $14.3mn more than the previous year that included increases of $12.1mn in currency held by the public and $2.2mn in commercial banks' vault cash. As in previous years, currency in circulation was lowest in January and peaked in December.

Transactions with Central Government

Current legislation permits the Central Bank to extend advances to the Government up to a maximum of 20% of current revenue collected during the preceding financial year or a sum of $50.0 million, whichever is greater. With twenty percent

Table IX.5: Central Bank Credit to Central Government

Month	Treasury Bills	Treasury Notes	Treasury Bonds	Overdraft Facility	A	B
January	81.8	0.0	10.0	71.80	4.02	16.01
February	86.4	0.0	10.0	81.73	4.22	18.23
March	86.9	0.0	10.0	74.52	4.24	16.62
April	98.4	0.0	10.0	77.47	4.74	18.13
May	69.4	0.0	10.0	80.30	3.47	16.53
June	51.2	0.0	10.0	80.26	2.68	17.19
July	59.7	0.0	10.0	71.46	3.05	17.81
August	71.2	0.0	10.0	79.26	3.55	17.80
September	76.2	0.0	10.0	83.84	3.77	15.85
October	70.7	0.0	10.0	83.22	3.53	17.58
November	60.7	0.0	10.0	63.17	3.09	18.60
December	73.2	0.2	10.0	82.50	3.65	18.46

A: 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 fiscal year

Estimates for Fiscal 2003/2004 $448,431,659 (January - March)

Estimates for Fiscal 2004/2005 $450,823,871 (April - December)

Table IX.6: Government of Belize Treasury Bill Issues

Issue Number	Issue Date	Maturity Date	Allotment $mn	Average Discount	Average Yield %
1/04	31/12/03	31/03/04	45.4	3.22	3.25
2/04	28/01/04	28/04/04	13.2	3.22	3.25
3/04	12/02/04	13/05/04	5.8	3.22	3.25
4/04	09/03/04	09/06/04	35.6	3.22	3.25
5/04	31/03/04	30/06/04	45.4	3.22	3.25
6/04	28/04/04	28/07/04	13.2	3.22	3.25
7/04	13/05/04	12/08/04	5.8	3.22	3.25
8/04	08/06/04	07/09/04	35.6	3.22	3.25
9/04	30/06/04	29/09/04	45.4	3.22	3.25
10/04	28/07/04	27/10/04	13.2	3.22	3.25
11/04	12/08/04	11/11/04	5.8	3.22	3.25
12/04	07/09/04	07/12/04	35.6	3.22	3.25
13/04	29/09/04	29/12/04	45.4	3.22	3.25
14/04	27/10/04	26/01/05	13.2	3.22	3.25
15/04	11/11/04	10/02/05	5.8	3.22	3.25
16/04	07/12/04	08/03/05	35.6	3.22	3.25

of the preceding year's current revenue amounting to $84.1 million, advances to Central Government approached this limit on several occasions, reaching a high of $83.8 million during September and falling to $82.5mn at year-end.

Treasury Bills

The Central Bank continued to conduct Treasury Bill operations on behalf of the Government during the year. After reinstating the bidding process in December 2001, government increased the Treasury Bill issue by $30.0mn to $100.0mn in October 2002. Total Treasury Bills outstanding as at 31 December, 2004, stood at the statutory limit. During the year, the Central Bank was dominant in the Treasury Bill market with its holdings peaking at $98.4mn in April and ending the year at $73.2mn.

Treasury Notes

Under the 1993 amendment to the Treasury Bill Act, the Government may issue up to $25.0mn in Treasury Notes. These notes have a one-year maturity period at 9.0% interest. At the end of 2004, total Treasury Notes outstanding amounted to $25.0mn and were all held by a domestic commercial bank.

Supervision of Banks and Financial Institutions

The Financial Sector Supervision Department (FSSD) conducted two limited scope, five full-scope and two follow-up examinations of domestic and international banks in 2004.

In addition to carrying out assessments using the Capital Adequacy, Asset Quality, Management, Earnings and Liquidity (CAMEL) method, the

Table IX.7: List of Financial Institutions

Domestic Banks	International Banks	Financial Institutions
Alliance Bank of Belize Ltd.	Atlantic International Bank Ltd.	Belize Unit Trust Corp. Ltd.
Atlantic Bank Ltd.	Caye International Bank Ltd.	
Belize Bank Ltd.	Handels Bank & Trust Company Ltd.	
FCIB (Barbados)	Investment and Commerce Bank Ltd.	
Scotiabank (Belize) Ltd.	Market Street Bank Ltd.	
	Provident Bank & Trust of Belize Ltd.	
	The Oxxy Bank Ltd	

Bank adopted a more risk-focused approach in conducting inspections. The latter approach zeroes in on the links between inherent risks of institutions such as credit, market, liquidity, reputational, operational and legal risk, and compliance with the banking laws. An examination of banks' performance with respect to due diligence, Know-Your-Customer policies and implementation of appropriate procedures under the Money Laundering (Prevention) Act were also a focus of the technique.

Twenty-one applications by commercial banks to grant large credit facilities to the private sector were processed. These included eleven applications from the domestic banks under Section 21(2) of the Banks and Financial Institution Act (BFIA) and ten from international banks under Section 21(b) of the International Banking Act (IBA). Of these, twelve applications were approved for facilities totaling $71.6 million. Approximately $32.2mn consisted of facilities extended by domestic commercial banks, a significant reduction from the previous year.

Following a feasibility study on the Coordination/ Integration of Financial Supervisory Authorities conducted by CARTAC, the government began to take steps to bring credit unions under Central Bank supervision. The Central Bank is subsequently proposing that several amendments to the Credit Union Act be made with a view to ensuring a well regulated financial sector through a single integrated regulator. The Financial Sector Supervision Department is also in the process of training its examiners to effectively carry out supervision in this area.

During the year, the Bank benefited from a Technical Cooperation Grant Agreement for Banking and Non-Banking Supervision that had been signed in the previous year by the Government and IADB. The funds (US$0.8mn) were to be used to strengthen the legal framework for banks and financial institutions, train and develop staff, and upgrade the information system. Grant funds were used to arrange training for eight bank examiners and to purchase the AREMOS software which will be used to establish a database for all reports submitted by banks and financial institutions. Assisted by the Canadian Office of the Superintendent of Financial Institutions (OSFC), the Central Bank also began the process of reviewing and amending the Banks and Financial Institutions Act and the International Banking Act to ensure compliance with Basle Core Principles.

Information Systems Unit

Overview

During 2004, the Information Systems Unit (ISU) sought to improve the security of the Bank's internal networks while implementing scheduled upgrades of its major information systems.

Network Security

Network security policies were continuously revised in response to the ever increasing security threats. Among the measures taken were:
(a) The upgrade of the Windows 2000 domain to native mode after the last Windows NT 4.0 domain controller was removed from the network;
(b) The upgrade of the firewall hardware and the proxy firewall;
(c) Installation of an anti-virus and email scanner on the email relay server; and
(d) Upgrade of all anti-virus licenses to the latest versions.

Upgrade of Major Application Software Packages

1)The mandatory replacement of the connectivity system for the SWIFT application, from X.25 to the new architecture based on the IP protocol, was initiated in December 2003 and fully activated in September 2004.

2)The organization and payroll modules of the human resources information system (HRIS) that was initiated late in 2003 went live in July 2004. Other HR modules have been running in parallel with older systems and are shortly to be placed into production. Several customization patches were applied during the testing phase to meet the country's tax and social security regulations.

3)The Commonwealth Secretariat's debt management system CS-DRMS version 1.0 was upgraded to the new version CS-DRMS 1.1 in July. After several months of parallel runs with the SCO Unix version, the Bank has now moved to the Windows version of this application.

New Applications

The AREMOS software package, which is used to develop and manage time series based databases was acquired and is now being tested. A representative from the ECCB provided additional training and insights on how to configure and implement the system.

Application Maintenance

Additional Fixed Asset Depreciation Schedule reports were added to the Fixed Assets module of Prophecy Open, as required by the external auditors. The facility to print Delinquent Exporter letters in the Export Proceeds system was enhanced in order to improve the efficiency of this tool. A new interface was developed to load and process Western Union data received in electronic form and modifications and enhancements were made to the Export Proceeds, Receipts, Transfers, and Tourist Survey systems.

The Board of Directors

The Board of Directors held 10 meetings in 2004 and considered 85 submissions.

Overseas Meetings

As executive officers to the Bank and advisors to Government, the Governor & Deputy Governor attended several meetings during the course of 2004, some of which are shown in Box 9.

Finance

The Central Bank's financial statements for the year ended December 31, 2004, with comparative figures for the previous year, are annexed to this report. During the year, the assets of the Bank decreased by 15.0% to $314.8mn. External assets recorded a decline of 47.8% to $79.6mn, while domestic assets increased by 8.04% to $235.3mn.

At year-end, the net operating surplus amounted to $5.9mn, up from $3.5mn in 2003. Gross earnings totaled $19.5mn including interest income of $17.4mn and commissions and other income of $2.1mn. Current expenditure totaled $13.6mn with staff costs, interest payments and other operating costs accounting for 37.9%, 27.8%, and 34.3%, respectively.

As provided for under Section 9(1) of the Central Bank Act, $0.6mn or 10% of the net operating surplus will be paid into the Central Bank's General Reserve Fund and the balance of $5.3mn will be transferred to the Accountant General for the Government of Belize's Consolidated Revenue Fund.

Internal Audit

In 2004, the Internal Audit Unit obtained approval for its Charter that outlines its purpose, authority and responsibility. During this period the Unit focused on operational reviews aimed at improving procedural efficiency and staff proficiency.

Reviews were consequently conducted of the accounts payable process, the check payments system, the books/periodical procurement process and the procedures and policies of the security unit with a view to evaluating the adequacy of internal controls and transparency of operations within established and documented parameters. The Unit also routinely monitored stocktaking exercises, the currency destruction procedure and implementation of the vacation leave policy.

The Bank's year-end compilation process was audited with specific focus on risk management. Other audits were conducted of the Pension Scheme Fund, petty cash and mutilated notes.

Box 9: Meetings Attended by the Governor and Deputy Governors during 2004

Name of Meeting/Conference	Month	Place
Central America & Caribbean Conference	January	Florida
Annual Meeting of the Board of Governors of of the Inter-American Development Bank and the Inter-American Investment Corporation	March	Lima, Peru
Forty-Fourth Annual Meeting of the Assembly of Governors of the Central American Bank for Economic Integration (CABEI)	April	Guatemala
Thirty Fourth Annual Meeting of the Board of Governors of the Caribbean Development Bank	May	Tobago, West Indies
CARICOM Central Bank Governors Meeting	May	Basseterre, St Kitts
Caribbean Capital Markets Investors' Forum 2004	September	Florida

During December, the Audit Committee (comprised of representatives of the Central Bank Board of Directors with the Chief Internal Auditor acting as Secretary) reviewed the Internal Audit Unit's report of work done during the year. The Committee also reviewed the annual audited financial statements and management letter prepared by the external auditors in order to ensure that adequate disclosures were being made by management and that the financial statements were an accurate representation of Central Bank transactions during the year.

Human Resources

In 2004, the human resources initiative focused on upgrading the information technology infrastructure. The implementation of a web enabled, integrated human resources information system (HRIS) and payroll system began early in the year and the project has already resulted in efficiencies that affect the operations of the Human Resources Unit in terms of time and quality. Among the HRIS modules completed were the organization structure, position control and employee vital information, payroll, benefits administration and recruitment.

The fifth Central Bank of Belize's Employee Recognition Ceremony was held under the theme "***With ordinary talent and extraordinary perseverance, all things are attainable"***. The previous year's strategy of recognizing and reinforcing positive attitude and performance standards was expanded to include the objective of encouraging commitment to the organisations's long term goals. Awards for ten, fifteen and twenty years of service were presented to qualifying staff. However, the focal point of the ceremony was the introduction of the 'Governor's Choice' award redefined in the form of a scholarship to the University of Belize to encourage and assist the employee who had demonstrated significant commitment to the Bank by longevity and quest for higher learning in a discipline that is relevant to the Bank. The first such Awardee was Mr. Elston Pollard, a senior clerical officer in the Research Department who joined the Bank in 1991.

In August of 2004, the Bank hosted the VII Annual Conference of Human Resources Managers of Caribbean Central Banks with the theme ***"Human Resource Management: Linking Efficiency & Effectiveness"***. The focus was on specific issues that affect employees' performance and influence their ability to contribute positively to organizational goals and objectives.

During the last quarter of 2004, the Central Bank committed to establishing an HIV/AIDS sensitive workplace behaviour communication strategy in support of the HIV/AIDS Workers Education Project that was launched by the Government of Belize, in collaboration with the International Labor Organization (ILO) and the United States Department of Labor (USDOL). The primary objectives of this project are to contribute towards the reduction of HIV/AIDS risk behavior among the target group and to reduce the level of employment related discrimination against people who are HIV positive.

Management-employee communications continued to be emphasized through the Bank's quarterly newsletter, "***The JabiViews".*** Preparation of the latter was facilitated by an editorial committee comprised of supervisory and professional staff and written contributions by staff on the affairs and decisions of the workplace were welcomed.

Staffing

As at 31 December 2004, the Central Bank's staff totalled 133 out of 136 established positions. Of the total persons employed, 32 were on contract and 2 were employed on a temporary basis. From 12% in the previous year, the staff turnover rate fell to 5% with seven separations occurring and twelve new staff members being hired. Of note was the return of Deputy Governor Yvette Alvarez in December 2004 after a thirteen month hiatus with Central Government.

Staff Development & Training

As in 2003, the Bank's training focused on providing the requisite knowledge and skills to strengthen both the economic intelligence and operational arms of the Bank. Several staff members at management level attended a number of international courses/workshops. Local training was also arranged to enable employees to hone their supervisory skills. The Bank also supported staff members that undertook further self-development to enhance job performance.

Community Service

In support of the University of Belize's *Internship Programme,* three students worked temporarily in various departments to meet core requirements for graduation. Four senior secondary school students also did work-study for an average of two weeks. In addition, the Bank sponsored a ten-week *Summer Employment Programme* for ten students enrolled at a tertiary level institution. The programme provided paid employment and skills development to the students while facilitating the vacation schedule for auxiliary staff and assisting in addressing backlogged clerical functions.

Staff members and the Central Bank continued to support other social projects during the year through contributions to the *Salvation Army's Annual Christmas Appeal, the Belize Cancer Society and the food and clothing drive for persons living with HIV/AIDS*.

Published Papers

In 2004, "Update on the Economy of Belize" by Azucena Quan Novelo was published in Caribbean Dialogue Vol. 9 no 1 (*Sir Arthur Lewis Institute of Social and Economic Studies)*

Table 1: Gross Domestic Product (GDP) by Industrial Origin

$mn

	2000	2001	2002	2003	2004
Primary Industries	**252.8**	**237.9**	**245.5**	**291.7**	**288.6**
Agriculture & forestry	181.6	168.8	173.0	184.4	186.2
Fishing	62.2	59.7	63.4	98.1	92.6
Mining	9.0	9.4	9.0	9.2	9.8
Secondary Industries	**300.5**	**301.5**	**309.5**	**292.4**	**321.7**
Manufacturing	159.2	155.6	156.5	157.8	175.7
Electricity & Water	58.4	62.2	64.4	59.4	63.6
Construction	82.8	83.7	88.6	75.3	82.4
Tertiary Industries	**938.1**	**1,017.0**	**1,108.8**	**1,196.4**	**1,266.6**
Wholesale & retail trade	270.5	288.4	301.8	305.2	305.8
Hotels & restaurants	58.5	66.8	68.4	83.6	97.5
Transport & Communications	141.7	158.4	184.0	186.8	199.8
Finance intermediation	103.7	111.7	133.3	163.7	172.0
Real estate & business services	98.2	112.1	124.9	129.3	140.9
Community, social & other services	100.7	105.4	108.6	121.6	135.1
General government services	164.8	174.1	187.7	206.2	215.5
Less: Financial Services Indirectly	**35.2**	**55.7**	**74.4**	**91.3**	**95.3**
All Industries at basic prices	**1,456.2**	**1,500.7**	**1,589.3**	**1,689.2**	**1,781.6**
Taxes less subsidies on products	208.6	236.9	263.7	272.4	289.5
GDP at market prices	**1,664.7**	**1,737.6**	**1,853.0**	**1,961.6**	**2,071.2**

Source: Central Statistical Office

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

Percent

	2000	2001	2002	2003	2004
Primary Industries	**15.2**	**13.7**	**13.2**	**14.9**	**13.9**
Agriculture & forestry	10.9	9.7	9.3	9.4	9.0
Fishing	3.7	3.4	3.4	5.0	4.5
Mining	0.5	0.5	0.5	0.5	0.5
Secondary Industries	**18.0**	**17.4**	**16.7**	**14.9**	**15.5**
Manufacturing	9.6	9.0	8.4	8.0	8.5
Electricity & Water	3.5	3.6	3.5	3.0	3.1
Construction	5.0	4.8	4.8	3.8	4.0
Tertiary Industries	**56.4**	**58.5**	**59.8**	**61.0**	**61.2**
Wholesale & retail trade	16.2	16.6	16.3	15.6	14.8
Hotels & restaurants	3.5	3.8	3.7	4.3	4.7
Transport & Communications	8.5	9.1	9.9	9.5	9.6
Finance intermediation	6.2	6.4	7.2	8.3	8.3
Real estate & business services	5.9	6.5	6.7	6.6	6.8
Community, social & other services	6.1	6.1	5.9	6.2	6.5
General government services	9.9	10.0	10.1	10.5	10.4
Less: Financial Services Indirectly	**2.1**	**3.2**	**4.0**	**4.7**	**4.6**
All Industries at basic prices	**87.5**	**86.4**	**85.8**	**86.1**	**86.0**
Taxes less subsidies on products	12.5	13.6	14.2	13.9	14.0
GDP at market prices	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

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 (2000=100)

$mn

	2000	2001	2002	2003	2004
Primary Industries	**252.8**	**252.1**	**252.9**	**348.1**	**379.9**
Agriculture & forestry	181.6	178.0	183.9	212.4	237.6
Fishing	62.2	64.9	60.3	126.9	133.0
Mining	9.0	9.3	8.8	8.8	9.3
Secondary Industries	**300.5**	**300.7**	**307.8**	**296.6**	**318.2**
Manufacturing	159.2	158.1	160.5	159.8	179.1
Electricity & Water	58.4	58.6	60.2	65.3	64.3
Construction	82.8	83.9	87.0	71.5	74.7
Tertiary Industries	**938.1**	**1,000.8**	**1,074.1**	**1,158.7**	**1,197.1**
Wholesale & retail trade	270.5	290.2	301.8	306.1	305.0
Hotels & restaurants	58.5	66.4	68.0	77.9	90.0
Transport & Communications	141.7	152.9	163.7	177.0	187.6
Finance intermediation	103.7	103.8	131.1	172.5	178.8
Real estate & business services	98.2	110.9	121.7	123.1	129.4
Community, social & other services	100.7	102.2	106.5	110.6	113.6
General government services	164.8	174.4	181.2	191.4	192.7
Less: Financial Services Indirectly Measured	-35.2	-52.1	-73.4	-97.3	-101.4
All Industries at basic prices	**1,456.2**	**1,501.6**	**1,561.4**	**1,706.0**	**1,793.7**
Taxes less subsidies on products	208.6	240.0	262.3	284.9	288.9
GDP at market prices	**1,664.7**	**1,741.5**	**1,823.7**	**1,990.9**	**2,082.6**

Source: Central Statistical Office

Table 4: Annual Percent Change In GDP By Sector at Constant 2000 Prices *

Percent

	2000	2001	2002	2003	2004
Primary Industries	**11.9**	**-0.3**	**0.3**	**37.6**	**9.1**
Agriculture & forestry	7.7	-2.0	3.3	15.5	11.9
Fishing	24.5	4.2	-7.1	110.5	4.8
Mining	23.7	3.4	-5.7	0.5	4.9
Secondary Industries	**24.7**	**0.1**	**2.3**	**-3.6**	**7.3**
Manufacturing	24.2	-0.7	1.5	-0.4	12.1
Electricity & Water	9.7	0.4	2.7	8.4	-1.4
Construction	39.0	1.3	3.7	-17.9	4.6
Tertiary Industries	**11.0**	**6.7**	**7.3**	**7.9**	**3.3**
Wholesale & retail trade	12.5	7.3	4.0	1.4	-0.4
Hotels & restaurants	10.6	13.5	2.5	14.5	15.5
Transport & Communications	13.1	7.9	7.1	8.1	5.9
Finance intermediation	46.1	0.0	26.4	31.5	3.7
Real estate & business services	-2.8	13.0	9.7	1.1	5.1
Community, social & other services	1.6	1.5	4.2	3.9	2.7
General government services	6.3	5.8	3.9	5.6	0.6
Less: Financial Services Indirectly Measured	7.7	48.0	40.8	32.6	4.2
All Industries at basic prices	**13.8**	**3.1**	**4.0**	**9.3**	**5.1**
Taxes less subsidies on products	7.5	15.1	9.3	8.6	1.4
GDP at market prices	**13.0**	**4.6**	**4.7**	**9.2**	**4.6**

Source: Central Statistical Office

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

Table 5: GDP by Expenditure in Current Prices

	2000	2001	2002	2003	2004
GDP in $mn					
Gov't. final consumption expenditure	214.8	228.3	266.8	289.6	300.9
Private final consumption expenditure	1,231.8	1,357.4	1,456.8	1,519.8	1,632.8
Gross capital formation	477.0	438.4	421.5	374.8	373.3
Changes in inventories including discrepancy	50.7	-6.2	23.0	31.1	36.8
Gross Domestic Expenditure	**1,974.3**	**2,017.9**	**2,168.2**	**2,215.3**	**2,343.8**
Exports: goods & services	881.5	887.0	980.3	1,055.4	1,002.6
Imports: goods & services	1,226.0	1,204.9	1,233.4	1,306.0	1,239.7
Net Exports	-344.5	-317.9	-253.1	-250.6	-237.1
Discrepancy	35.0	37.6	-62.1	-3.1	-35.5
GDP market prices	**1,664.7**	**1,737.6**	**1,853.0**	**1,961.6**	**2,071.2**
Percent Distribution of GDP					
Gov't. final consumption expenditure	12.9	13.1	14.4	14.8	14.5
Private final consumption expenditure	74.0	78.1	78.6	77.5	78.8
Gross capital formation	28.7	25.2	22.7	19.1	18.0
Exports: goods & services	53.0	51.0	52.9	53.8	48.4
Imports: goods & services	73.6	69.3	66.6	66.6	59.9
Net Exports	-20.7	-18.3	-13.7	-12.8	-11.4
GDP market prices	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Central Statistical Office

Table 6: GDP by Expenditure in Constant 2000 Prices

	2000	2001	2002	2003	2004
GDP in $mn					
Gov't. final consumption expenditure	214.8	227.9	257.8	270.2	270.9
Private final consumption expenditure	1,231.8	1,346.7	1,432.8	1,475.3	1,542.9
Gross capital formation	477.0	447.2	423.3	364.0	344.4
Changes in inventories including discrepancy	50.7	-6.3	19.7	31.1	43.3
Gross Domestic Expenditure	**1,974.3**	**2,015.5**	**2,133.6**	**2,140.6**	**2,201.5**
Exports: goods & services	881.5	916.7	996.1	1,127.8	1,112.8
Imports: goods & services	1,226.0	1,216.2	1,248.1	1,274.5	1,180.6
Net Exports	-344.5	-299.5	-252.0	-146.7	-67.8
Discrepancy	35.0	25.5	-57.9	-3.0	-51.1
GDP market prices	**1,664.7**	**1,741.5**	**1,823.7**	**1,990.9**	**2,082.6**
Percent Distribution of GDP					
Gov't. final consumption expenditure	12.9	13.1	14.1	13.6	13.0
Private final consumption expenditure	74.0	77.3	78.6	74.1	74.1
Gross capital formation	28.7	25.7	23.2	18.3	16.5
Exports: goods & services	53.0	52.6	54.6	56.6	53.4
Imports: goods & services	73.6	69.8	68.4	64.0	56.7
Net Exports	-20.7	-17.2	-13.8	-7.4	-3.3
GDP market prices	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Central Statistical Office

Table 7: Sectoral Composition of Commercial Banks' Loans and Advances

$mn

	Position as at			Changes Dec 2003 to Dec 2004
	Dec 2002	Dec 2003	Dec 2004	
Primary Sector	**116.7**	**135.7**	**145.1**	**9.4**
Agriculture	77.5	87.7	96.2	8.5
Marine Products	25.6	26.5	25.1	-1.4
Forestry	1.7	3.7	1.8	-1.9
Mining & Exploration	11.9	17.8	22.0	4.2
Secondary Sector	**253.6**	**277.7**	**339.2**	**61.5**
Manufacturing	23.0	12.6	14.9	2.3
Building & Construction	201.7	232.5	258.7	26.2
Utilities	28.9	32.6	65.6	33.0
Tertiary Sector	**342.7**	**419.9**	**494.6**	**74.7**
Transport	27.2	38.4	38.7	0.3
Tourism	51.8	73.1	84.5	11.4
Distribution	150.5	162.4	165.2	2.8
Other*	113.2	146.0	206.2	60.2
Personal Loans	**191.5**	**208.4**	**197.1**	**-11.3**
Total	**904.5**	**1041.7**	**1176.0**	**134.3**

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

Table 8: Commercial Banks' Weighted Average Interest Rates

Percentages

	Position as at			Changes Dec 2003 to Dec 2004
	Dec 2002	Dec 2003	Dec 2004	
Weighted Lending Rates				
Personal Loans	15.9	15.8	15.5	-0.3
Commercial Loans	14.3	13.9	14.0	0.1
Residential Construction	13.3	12.4	12.6	0.2
Other	10.1	10.6	10.1	-0.5
Weighted Average	**14.5**	**14.2**	**14.0**	**-0.2**
Weighted Deposit Rates				
Demand	0.4	0.4	0.5	0.1
Savings/Cheque	5.2	5.1	5.1	0.0
Savings	5.1	5.1	5.1	0.0
Time	6.5	7.2	7.6	0.4
Weighted Average	**4.5**	**4.9**	**5.2**	**0.3**
Weighted Average Spread	**10.0**	**9.3**	**8.8**	**-0.5**

Table 9: Balance Of Payments Summary

Bz$mn

	2002	2003	2004
CURRENT ACCOUNT	**-365.2**	**-414.9**	**-364.7**
Goods: Exports f.o.b.	619.4	631.0	613.9
Goods: Imports f.o.b.	-993.8	-1,044.7	-961.5
Trade Balance	-374.4	-413.7	-347.7
Services: Credit	313.9	357.3	398.3
Transportation	36.2	44.3	54.8
Travel	205.8	234.3	265.9
Other Goods & Services	41.6	46.5	53.9
Gov't Goods & Services	30.2	32.2	23.8
Services: Debit	-260.9	-278.1	-291.3
Transportation	-74.9	-78.6	-88.5
Travel	-85.1	-88.3	-82.3
Other Goods & Services	-83.2	-92.9	-104.1
Gov't Goods & Services	-17.8	-18.3	-16.3
Balance on Goods & Services	-321.4	-334.4	-240.6
Income: Credit	7.9	8.4	7.9
Compensation of Employees	3.8	5.0	4.9
Investment Income	4.1	3.4	3.0
Income: Debit	-145.7	-179.4	-236.1
Compensation of Employees*	-8.4	-10.9	-12.4
Investment Income	-137.3	-168.5	-223.7
Balances on Goods, Services & Income	-459.3	-505.4	-468.8
Current Transfers, n.i.e.: Credit	98.2	95.5	108.6
Current Transfers: Debit	-4.1	-4.9	-4.4
CAPITAL ACCOUNT, n.i.e.	**22.9**	**3.0**	**8.5**
Capital Account, n.i.e.: Credit	25.1	4.9	10.0
Capital Account: Debit	-2.2	-1.8	-1.5
FINANCIAL ACCOUNT, n.i.e.	**280.7**	**368.7**	**259.2**
Direct Investment Abroad	0.0	-0.7	-0.1
Direct Investment in Belize, n.i.e.	48.5	-2.7	255.1
Portfolio Investment Assets	0.0	-0.3	-0.5
Portfolio Investment Liabilities, n.i.e.	253.2	151.1	151.3
Financial Derivatives Assets	1.7	1.4	1.1
Financial Derivatives Liabilities	0.0	0.0	0.0
Other Investment Assets	6.7	-26.6	-14.8
Other Investment Liabilities	-29.4	246.6	-132.9
NET ERRORS & OMISSIONS	**50.9**	**-17.0**	**34.3**
OVERALL BALANCE	**-10.9**	**-60.1**	**-62.7**
RESERVE ASSETS (Minus = increase)	**10.9**	**60.1**	**62.7**

*Payments to non-resident workers were revised from 1999 to 2004 based on a field survey of seasonal and border workers conducted in 2004.

Table 10: Gross Imports (CIF) by SITC Categories

$mn

SITC Category	2000	2001	2002	2003	2004
0 Food and Live Animals	106.3	118.8	107.8	118.7	109.2
1 Beverages and Tobacco	7.5	7.7	8.3	8.9	9.8
2 Crude Materials	8.0	11.6	7.5	6.7	7.3
3 Fuels and Lubricants	170.1	159.7	139.3	161.2	184.3
Of which electricity	*15.0*	*16.9*	*23.8*	*28.4*	*29.7*
4 Animal and Vegetable Oils	4.0	3.2	3.1	3.3	3.2
5 Chemicals	84.8	71.7	85.0	82.7	76.3
6 Manufactured Goods	143.8	136.2	128.2	128.7	136.8
7 Machinery and Transport Equipment	237.1	230.5	208.5	203.7	175.9
8 Miscellaneous Manufactured Goods	64.5	75.9	80.5	103.2	81.8
9 Commodities - not classified elsewhere	0.4	0.4	0.2	0.9	0.0
Export Processing Zones	100.6	87.0	79.9	130.7	113.9
Personal Goods	3.1	4.3	3.2	3.4	2.6
Total	**930.2**	**906.8**	**851.5**	**952.1**	**901.3**
CFZ Direct Imports	114.5	132.0	221.3	180.5	156.6
Grand Total	**1,044.7**	**1,038.8**	**1,072.8**	**1,132.6**	**1,057.9**

Sources: Central Statistical Office; Central Bank

Table 11: Central Government's Domestic Debt

$'000

	Disbursed Outstanding Debt 12/31/2003	Transactions During 2004: Disbursement/ New Issues of Securities	Amortization/ Reduction in Securities	Interest Payment	Net Change in Overdraft/ Securities	Disbursed Outstanding Debt 12/31/2004
Overdraft	**76,937**	**0**	**0**	**8,639**	**15,050**	**91,987**
Central Bank	74,121	0	0	8,639	8,377	82,498
Commercial Banks	2,816	0	0	0	6,673	9,489
Treasury Bills	**100,000**	**0**	**0**	**2,626**	**0**	**100,000**
Central Bank	81,413	0	0	1,979	-8,776	72,637
Commercial Banks	13,896	0	0	548	10,978	24,874
Other	4,691	0	0	99	-2,202	2,489
Treasury Notes *	**24,000**	**0**	**0**	**2,175**	**0**	**24,000**
Central Bank	0	**0**	**0**	**0**	158	158
Commercial Banks	23,269	0	0	2,095	0	23,269
Other	731	0	0	80	-158	573
Defence Bonds	**15,000**	**0**	**0**	**1,250**	**0**	**15,000**
Central Bank	10,000	0	0	800	0	10,000
Commercial Banks	100	0	0	90	0	100
Other	4,900	0	0	360	0	4,900
Loans	**42,847**	**9,000**	**1,925**	**2,091**	**0**	**49,922**
DFC (Debt Restructuring)	8,431	0	500	492	0	7,931
BSSB (Housing)	691	0	13	42	0	678
BBL (Cohune Walk)	2,978	0	278	462	0	2,700
GOB/US Debt Swap	14,747	0	1,134	344	0	13,613
BBL (Infrastructure dev.)	15,000	9,000	0	751	0	24,000
Guardian Life Bze	1,000	0	0	90	0	1,000
TOTAL	**258,784**	**9,000**	**1,925**	**16,781**	**15,050**	**280,909**

R = Revised

P = Provisional

* Since October of 1998 Treasury Notes are being subscribed to in $US.
They are now , therefore, considered part of Foreign Liabilities. However interest is still paid in local currency.

Table 12: Government of Belize - Revenue and Expenditure

$'000

	Fiscal Year 2003/2004	Estimated Budget 2004/2005	Jan-Dec 2002	Jan-Dec 2003	Jan-Dec 2004
TOTAL REVENUE & GRANTS (1+2+3)	**487,162**	**520,347**	**524,933**	**453,406**	**523,639**
1).Current revenue	424,300	498,084	425,759	422,190	461,993
Tax revenue	379,795	451,372	354,036	370,231	419,308
Income and profits	89,113	101,955	78,025	86,282	99,715
Taxes on property	6,142	20,020	2,724	2,423	3,810
Taxes on goods and services	120,033	135,045	111,447	118,657	145,534
Int'l trade and transactions	164,507	194,352	161,840	162,869	170,249
Non-Tax Revenue	44,505	46,712	71,723	51,959	42,685
Property income	3,274	5,155	3,323	2,274	6,419
Licenses	0	11,837	0	0	9,866
Contributions to pension fund	0	0	0	0	0
Transfers from NFPE's	0	20,955	500	0	16,664
Repayment of old loans	0	647	31,927	18,541	893
Other	31,247	8,118	35,973	31,144	8,843
2). Capital revenue	39,149	6,250	67,523	24,829	26,478
3). Grants & Debt Service Receipts	23,713	16,013	31,651	6,387	35,168
TOTAL EXPENDITURE (1+2)	**645,425**	**554,113**	**593,756**	**666,992**	**648,898**
1). Current Expenditure	401,033	424,424	333,445	393,048	467,985
Wages and Salaries	190,726	214,058	167,519	186,672	207,925
Pensions	26,665	23,901	25,115	26,682	31,087
Goods and Services	73,437	70,522	61,597	74,406	75,184
Interest Payments on Public Debt	81,336	82,604	51,758	77,403	121,489
Subsidies & current transfers	28,869	33,339	27,456	27,885	32,300
2). Capital Expenditure	244,392	129,689	260,311	273,944	180,913
Capital II (local sources)	72,337	59,342	108,771	89,627	59,659
Capital III (foreign sources)	95,275	70,347	134,840	99,142	87,754
of which Hurricane ERF	0	0	26,021	2,454	0
Capital Transfer & Net Lending	53,780	0	16,700	49,175	0
Unidentified Expenditure	23,000			36,000	33,500
CURRENT BALANCE	**23,267**	**73,660**	**92,314**	**29,142**	**-5,992**
OVERALL BALANCE	**-158,263**	**-33,766**	**-68,823**	**-213,586**	**-125,259**
balance excluding Hurricane ERF	-158,263	-33,766	-42,802	-211,132	-125,259
FINANCING	**158,263**	**33,766**	**68,823**	**213,586**	**125,259**
Domestic Financing	-161,224		-220,877	-62,396	-39,351
Central Bank	-9,431		-52,728	76,290	74,574
Net Borrowing	56,897		-14,360	101,739	-399
Change in Deposits	-66,328		-38,368	-25,449	74,973
Commercial Banks	-20,833		-29,195	-1,599	18,776
Net Borrowing	-25,746		-24,891	-8,002	26,564
Change in Deposits	4,913		-4,304	6,403	-7,788
Transaction with DFC (debt)	0		-145,000	-127,998	-130,000
Other Domestic Financing	-130,960		6,046	-9,089	-2,701
Financing Abroad	320,217		278,328	276,712	164,862
Disbursements	552,836		472,991	499,488	432,916
Amortization	-100,041		-153,808	-100,876	-248,054
Interest & Penanties prepaymt	0		-3,654	0	0
Partial payment for BTL shares	-114,000		0	-104,000	-10,000
Sinking Fund & JCF	-18,578		-37,201	-17,900	-10,000
Other	-732		11,372	-730	-252

Sources: Ministry of Finance, Central Bank of Belize

Table 13: Public Sector External Debt by Creditors

$'000

	Disbursed Outstanding Debt 31/12/2003	Disbursemen	Principal Payments	Interest & Other Payments	Parity Change	Disbursed Outstanding Debt 31/12/2004
CENTRAL GOVERNMENT	**1,417,449**	**432,915**	**248,052**	**109,454**	**2,840**	**1,605,151**
Banco Nacional de Comercio Exterior	8,454	545	0	547	0	8,999
Fondo de Financ. de las Exportaciones	1,198	0	218	69	0	980
Government of Great Britain	16,558	0	5,350	0	1,151	12,359
Government of Peoples Rep. of China	174	0	58	0	0	116
Government of the United States*	9,164	0	1,371	325	0	7,792
Government of Trinidad and Tobago	28	0	4	1	0	24
Kuwait Fund for Arab Economic Dev	21,225	486	1,140	850	10	20,581
Republic of China	176,643	33,108	14,645	11,022	0	195,106
Caribbean Development Bank	61,019	25,959	2,511	2,447	0	84,468
European Economic Community	19,192	0	831	152	1,528	19,889
European Investment Bank	1,238	0	271	35	86	1,052
Inter-American Development Bank	127,480	15,100	3,207	4,321	0	139,373
International Fund for Agric. Dev.	2,317	361	683	98	65	2,060
Intl. Bank for Reconstruction & Dev.	71,869	2,992	6,513	2,685	0	68,348
Opec Fund for Int'l. Development	7,847	519	533	392	0	7,833
Allfirst Bank of Maryland	3,780	0	840	222	0	2,940
Bear Stearns & C0. Inc.	450,000	0	0	43,250	0	450,000
Citibank, Trinidad & Tobago	15,429	0	3,429	1,444	0	12,000
Citicorp Merchant Bank Ltd.	51,429	0	2,857	4,642	0	48,571
CMFS Note Holders	0	157,910	0	5,063	0	157,910
International Bank of Miami ++	228,505	56,730	192,730	14,271	0	92,505
KBC Bank NV	7,477	0	1,869	382	0	5,607
Provident Bank & Trust of Belize	1,829	0	1,455	102	0	374
Royal Merchant Bank	77,750	139,204	5,955	11,400	1	211,000
Salomon Smith Barney**	52,030	0	0	5,384	0	52,030
Belize Estate and Co. Ltd.	2,930	0	1,302	313	0	1,628
Caterpillar Financial Services Corp.	1,325	0	0	0	0	1,325
Export Import Bank of the United States	560	0	280	36	0	280
				0		
NON-FINANCIAL PUBLIC SECTOR	**14,273**	**0**	**2,160**	**1,043**	**12**	**12,125**
Kuwait Fund for Arab Economic Dev	8,820	0	690	352	12	8,141
CIBC Bank & Trust Company	5,454	0	1,470	691	0	3,984
				0		
FINANCIAL PUBLIC SECTOR	**74,090**	**493**	**10,510**	**2,432**	**686**	**64,760**
Caribbean Development Bank	46,084	493	3,267	1,754	13	43,322
European Economic Community	618	0	27	5	49	640
European Investment Bank	11,402	0	594	120	625	11,432
Citibank, Trinidad & Tobago	3,750	0	2,500	104	0	1,250
Citicorp Merchant Bank Ltd.	3,750	0	2,500	104	0	1,250
Paine Webber Real Estate Securities Inc.	2,000	0	100	16	0	1,900
Government of the United States	2,531	0	391	73	0	2,140
N.V. De Smet S.A. Engineers	3,955	0	1,130	256	0	2,825
GRAND TOTAL	**1,505,813**	**433,408**	**260,721**	**112,929**	**3,538**	**1,682,036**

Effective 31st March 2001, WASA loans were re-classified as private sector debt as a result of its full privatization.

Effective 31st December, 2002 BPA Loans of Bz $23.8 mn were re-classified as private sector debt as a result of its full privatization.

Outstanding external debt of private entities remained as a contingent liability of Central Government.

* USAID Debt for Nature Swap Agreement as at 2nd August, 2001 was implemented on 30th November, 2001 for BZ $17,168

**Solomon Smith Barney Bond of US$29.1mn (established a US$20 mn sinking fund in 2002, additional deposit of $6.7mn in 03.)

++ Principal payments of (BZ$190.7mn) was part of a reprofiling arrangement with TIBOM. Loans that formed part of the package were US$50mn due in Nov 04, US$30mn due in Dec 04 and US$15.3mn due in Jan 05

CMFS Capital Markets Financial Services

CENTRAL BANK OF BELIZE

2004 FINANCIAL STATEMENTS

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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 2004, 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 give a true and fair view of the financial position of Central Bank of Belize as of 31 December 2004, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards adopted by the International Accounting Standards Board.

Horwath Belize

16 February 2005

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

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In our opinion, the financial statements give a true and fair view of the financial position of Central Bank of Belize as of 31 December 2004, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards adopted by the International Accounting Standards Board.

16 February 2005

CENTRAL BANK OF BELIZE
BALANCE SHEET
At 31 December 2004

In Belize dollars.

Assets	**Notes**	**2004**	**2003**
APPROVED EXTERNAL ASSETS			
Balances and deposits with foreign bankers and Crown Agents		34,325,054	119,873,204
Reserve Tranche and balances with the International Monetary Fund	4	18,195,786	17,164,707
Other foreign credit instruments		13,220,000	10,000,000
Accrued interest and cash intransit	5,2e	11,242,717	2,665,371
Marketable securities issued or guaranteed by foreign government and international financial institutions.	6	2,000,000	2,000,000
	3b	78,983,557	151,703,282
BELIZE GOVERNMENT SECURITIES	7	82,795,204	91,412,770
BELIZE GOVERNMENT CURRENT ACCOUNT	8	80,659,575	72,444,782
LOANS TO PUBLIC SECTOR	9	32,521,712	10,000,000
LOANS TO COMMERCIAL BANKS	10	-	5,124,086
BALANCES WITH LOCAL BANKERS AND CASH ON HAND		84,329	177,421
OTHER ASSETS	11	6,799,470	5,830,660
PROPERTY AND EQUIPMENT	2a, 12	31,142,567	31,795,295
TOTAL ASSETS		**312,986,414**	**368,488,296**

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

CENTRAL BANK OF BELIZE
BALANCE SHEET
At 31 December 2004 (Continued)

In Belize dollars.

LIABILITIES, CAPITAL AND RESERVES	**NOTES**	**2004**	**2003**
DEMAND LIABILITIES			
Notes and coins in circulation		141,949,684	127,626,959
Deposits by licensed financial institutions	13	87,893,652	75,071,727
Deposits by and balances due to Government and public sector entities in Belize		13,746,883	55,553,007
Deposits by international agencies	14	2,703,774	4,969,109
		246,293,993	263,220,802
BALANCES DUE TO CARICOM CENTRAL BANKS		87,918	820,132
OTHER LIABILITIES	15	6,485,698	7,241,963
COMMERCIAL BANK DISCOUNT FUND	16	1,656,124	1,815,643
GOVERNMENT SINKING FUND	17	20,210,971	54,210,070
BELIZE CREDIT FACILITY	18	8,653,769	7,961,159
LOANS PAYABLE TO FOREIGN INSTITUTIONS	19	2,500,000	7,500,000
TOTAL LIABILITIES		285,888,473	342,769,769
REVALUATION ACCOUNT	2c,20	3,658,886	2,872,621
CAPITAL ACCOUNT			
Paid up capital (Authorized capital $10,000,000)		10,000,000	10,000,000
GENERAL RESERVE FUND	21	13,439,055	12,845,906
TOTAL LIABILITIES, CAPITAL AND RESERVES		**312,986,414**	**368,488,296**

Campbell) GOVERNOR
)
) DIRECTOR
)
Galvarez.) DEPUTY GOVERNOR

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

CENTRAL BANK OF BELIZE
STATEMENT OF INCOME
For the year ended 31 December 2004

In Belize dollars.

	NOTES	2004	2003
INCOME			
Interest			
Approved external assets		2,953,341	3,432,725
Advances to government		8,560,116	6,316,883
Local securities	2d	800,825	800,000
Loans to statutory bodies		2,751,986	1,407,996
		15,066,268	11,957,604
Discounts on local securities		2,383,557	1,919,806
Commission and other income		2,075,290	2,445,846
TOTAL INCOME		19,525,115	16,323,256
LESS: Interest expense		(3,774,953)	(2,753,468)
Income from operations		15,750,162	13,569,788
EXPENDITURE			
Printing of notes and minting of coins	2b	(1,248,113)	(1,107,715)
Salaries and wages, including superannuation contributions and gratuities		(5,153,161)	(5,406,102)
Depreciation		(881,583)	(849,185)
Administrative and general		(2,535,818)	(2,677,755)
Total expenditure		(9,818,675)	(10,040,757)
NET PROFIT		5,931,487	3,529,031
NET PROFIT TRANSFERABLE TO THE GENERAL RESERVE FUND AND CONSOLIDTED FUND		5,931,487	3,529,031
Transfer to general reserve fund in accordance with section 9(1) of the Act	21	(593,149)	(352,903)
Balance credited to the accountant general for the consolidated revenue fund		5,338,338	3,176,128

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 2004

In Belize dollars.

	2004	**2003**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net profit transferred to the general reserve fund	593,149	352,903
Adjustment to reconcile net profit to net cash provided by operating activities:		
Amortization	57,815	-
Depreciation	881,583	849,185
(Gain)/loss on disposal	(10,649)	30,852
Changes in assets and liabilities that provided (used) cash:		
Other assets	(1,026,625)	(1,356,361)
Other liabilities	(756,265)	4,110,349
Revaluation account	786,265	1,684,303
Net cash provided by operating activities	525,273	5,671,231
CASH FLOWS FROM INVESTING ACTIVITIES:		
Belize Government current account	(8,214,793)	(72,444,782)
Loans to public sector/commercial bank	(17,397,626)	(124,086)
Acquisition of property and equipment	(229,207)	(2,413,874)
Proceeds from sale of assets	11,000	-
Reserve tranche in the IMF	(565,496)	(1,106,444)
Construction bonds	-	(6,000,000)
Net cash (used in) investing activities	(26,396,122)	(82,089,186)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Notes and coins in circulation	14,322,725	(5,046,646)
Deposits by licensed financial institutions	12,821,925	18,064,185
Deposits by and balances due to Governments and Public Sector entities	(41,806,124)	20,608,916
Government sinking fund	(33,999,099)	14,040,012
Deposits by international agencies	(2,265,335)	504,978
Balances due to Caricom central banks	(732,214)	(679,572)
Commercial Bank Discount Fund	(159,519)	(143,803)
Belize credit facility	692,610	733,682
Loan repayment made to foreign institutions	(5,000,000)	(5,000,000)
Net cash (used in) provided by financing activities	(56,125,031)	43,081,752

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CENTRAL BANK OF BELIZE
STATEMENT OF CASH FLOWS
For the year ended 31 DECEMBER 2004 (Continued)

In Belize dollars.

	2004	**2003**
NET DECREASE IN CASH AND CASH EQUIVALENTS	(81,995,880)	(33,336,203)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	220,759,019	254,095,222
CASH AND CASH EQUIVALENTS, END OF YEAR	138,763,139	220,759,019
CASH AND CASH EQUIVALENTS COMPRISE THE FOLLOWING:		
EXTERNAL ASSETS:		
Balances and deposits with foreign bankers and Crown Agents	36,325,054	121,873,204
Other foreign credit instruments	13,220,000	10,000,000
Accrued interest and cash intransit	11,242,717	2,665,371
Balance with the International Monetary Fund	5,095,835	4,630,253
	65,883,606	139,168,828
LOCAL ASSETS:		
Cash and bank balances	84,329	177,421
Government of Belize Treasury Bills	72,637,204	81,412,770
Government of Belize Treasury Notes	158,000	-
	138,763,139	220,759,019

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%
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 (CONTINUED)

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.

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

h. Certain accounts from prior year 2003 have been reclassified to confirm to current year presentation.

3. 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.

At 31 December 2004 and 2003 total approved external assets approximated 32 percent and 58 percent of such liabilities respectively.

4. 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 2004, 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$3.1060 to SDR 1.0 at 31 December 2004 (2003 - Bz$2.9719 to SDR 1.0).

In Belize dollars.

5. ACCRUED INTEREST AND CASH TRANSIT

Accrued interest and cash intransit consist of:

	2004	2003
Accrued interest	978,465	1,265,538
Cash intransit	10,264,252	1,399,833
	11,242,717	2,665,371

6. MARKETABLE SECURITIES ISSUED OR GUARANTEED BY FOREIGN GOVERNMENTS AND FOREIGN FINANCIAL INSTITUTIONS

These securities consist of 3% debentures issued by the Government of Dominica and maturing in 2006. The Bank has the intent and ability to hold these securities to maturity.

7. BELIZE GOVERNMENT SECURITIES

Belize Government securities consist of:

	2004	2003
Treasury Bills	72,637,204	81,412,770
Treasury Notes	158,000	-
Belize Defense Bonds	10,000,000	10,000,000
	82,795,204	91,412,770

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 2004 and 2003 the Bank's aggregate holding of Belize Government securities approximated 3.53 times and 4 times, respectively, the amount of paid up capital and general reserves of the Bank. The carrying amount of these investments approximates fair value due to their short maturity.

In Belize dollars.

8. 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 2004 and 2003 advances to Government represent approximately 96 percent and 90 percent of the authorized limit respectively.

9. LOANS TO THE PUBLIC SECTOR

	2004	**2003**
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. The loan is guaranteed by the Government of Belize.	5,000,000	10,000,000
11% p.a. short-term loan maturing on 30 June 2005, guaranteed by the Government of Belize.	27,521,712	-
	32,521,712	10,000,000

10. LOANS TO COMMERCIAL BANKS

	2004	**2003**
11% p.a. short-term loan due from a commercial bank maturing on 25 February 2004. The loan is secured by the assignment of a DFC Bond maturing in 2007 for the same amount.	-	2,500,000
11% p.a. short-term loan due from a commercial bank maturing on 12 March 2004. The loan is secured by a promissory note signed by the Government of Belize.	-	2,624,086
	-	5,124,086

In Belize dollars.

11. OTHER ASSETS

Other assets consist of:

	2004	**2003**
Inventory of note and coins	1,976,485	3,210,169
Prepayments and accrued interest	3,113,519	941,221
Accounts receivable	1,094,290	1,017,114
Museum endowment fund	578,150	578,150
Other	94,841	84,006
	6,857,285	5,830,660
Less: amortization	57,815	-
	6,799,470	5,830,660

Museum endowment fund is amortized over 10 years commencing 2004.

12. PROPERTY AND EQUIPMENT

Property and equipment consist of:

	2004	**2003**
Property	30,441,554	30,441,554
Furniture	1,039,276	1,024,817
Equipment	4,613,004	4,439,120
Vehicles	346,648	390,071
Work in progress	175,416	135,237
	36,615,898	36,430,799
Less: accumulated depreciation	5,473,331	4,635,504
	31,142,567	31,795,295

In Belize dollars.

13. DEPOSITS BY LICENSED FINANCIAL INSTITUTIONS

Under the revised provisions of Section 13 of the Banks Financial Institutions Act 1995, licensed financial institutions are required to keep on deposit with the Bank an amount equivalent to at least 7% of their average deposit liabilities.

Under Section 21 A (1) of the International Banking Act, licensed financial offshore institutions are required to maintain an account of a minimum balance of $200,000 with the Bank. These deposits are interest free.

14. DEPOSITS BY INTERNATIONAL AGENCIES

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

	2004	**2003**
Commission of the European Communities	1,316,408	2,011,572
International Monetary Fund	148,878	142,451
Caribbean Development Bank	24,705	99,538
Inter-American Development Bank	400,293	317,035
International Bank for Reconstruction and Development	716,450	716,450
European Union	97,040	1,682,063
	2,703,774	4,969,109

15. OTHER LIABILITIES

	2004	**2003**
Interest payable	916,908	1,093,033
Severance and gratuities	714,165	622,002
Abandoned property	1,424,818	1,174,068
Other	3,429,807	4,352,860
	6,485,698	7,241,963

16. 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.

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 2004, outstanding loans discounted by commercial banks through the facility amounted to nil (2003 - $.3 million) net of repayments, against a total drawdown of $5.7 million from USAID. At that date, reflows drawn down by the Foundation amounted to $1.6 million (2003 - $1.5 million) net of repayments, and by DFC $479,279 (2003 - $743,095) net of repayments.

17. GOVERNMENT SINKING FUND

Government Sinking Fund consists of US$3,164,752 and US$6,940,734 invested by the Bank on behalf of the Government for a bond issue maturing in 2005.

18. 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 is set out in an agreement signed between the Government and the Bank on 13 March 1989.

In Belize dollars.

19. LOAN PAYABLE TO FOREIGN INSTITUTION

Loan payable to foreign institution consists of:

	2004	2003
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$1,250,000 placed by the Bank with the foreign institution.	1,250,000	3,750,000
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$1,250,000 placed by the Bank with the foreign institution.	1,250,000	3,750,000
	2,500,000	7,500,000

These loans are guaranteed by the Government of Belize.

20. REVALUATION ACCOUNT

Under Section 49 of the Act, no profits shall be credited to the General Reserve Fund or paid to the consolidated Revenue Fund whenever the Revaluation Account shows a net loss. Such profits shall be credited to the Revaluation Account in an amount sufficient to cover the loss.

	2004	2003
Net gain on revaluation of Reserve Tranche in the International Monetary Fund	787,511	1,509,227
Net gain on revaluations during the year	2,871,375	1,363,394
	3,658,886	2,872,621

In Belize dollars.

21. 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.

	2004	**2003**
Balance at beginning of year	12,845,906	12,493,003
Transfer (to)/from profits	593,149	352,903
Balance at end of year	13,439,055	12,845,906

22. PENSION SCHEME

The Bank operates a defined benefit pension scheme which receives contributions from the Bank and its eligible employees. During the year under review, the Bank contributed $162,106 (2003-$144,302) 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.

The last actuarial valuation at 31 December 2002 reported the present value of past service liabilities and plan assets to be $2,916,000 and $4,599,000, 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. Allowance for pensions is not to be increased in course of payments.

23. 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.

24. COMMITMENTS AND CONTINGENCIES

a. The Bank is guarantor to the Government of Belize in a United States dollar/Japanese Yen currency swap agreement with Citicorp. This agreement will terminate in June 2005. Periodically, the swap agreement is valued and potential margin calls can be made. At 31 December 2004, a margin call of $5.2 million was made, charging as security under the guarantee an equivalent amount of the Bank's funds held with Citicorp.

b. The Bank is contingently liable as co-signer with the Government of Belize on promissory notes of US$79.0 million with International Bank of Miami and US$46.4 million with Capital Market Financial Services.