CENTRAL BANK OF BELIZE

Annual Report

2005

CENTRAL BANK
OF
BELIZE

Twenty-fourth Annual Report
&
Statement of Accounts

For the Year Ending 31 December 2005

Abbreviations and Conventions
used in this Report

Abbreviations:

ACP	African, Caribbean and Pacific
BAHA	Belize Agricultural Health Authority
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
IBA	International Banking Act
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
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
RBTT	Royal Bank Trinidad and Tobago
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 2005 in this report are provisional, and the figures for 2004 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 28, 2006

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, 2005, 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, 2005

BOARD OF DIRECTORS

SYDNEY CAMPBELL
Vice Chairman

MARION PALACIO

DAVID FONSECA

JAIME BRICEÑO

ROBERT SWIFT

Dr. CARLA BARNETT
Financial Secretary

PRINCIPAL OFFICERS

SYDNEY CAMPBELL
Governor

MARION PALACIO
Deputy Governor

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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Overview of the Bank

Mission Statement

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 and processing of 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, financial institutions and credit unions 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, IBA and the Credit Unions Act.

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

	2000	2001	2002	2003	2004	2005
POPULATION AND EMPLOYMENT						
Population (Thousands)	249.8	255.3	262.7	271.1	281.1	289.9
Employed Labour Force (Thousands)	83.7	85.9	84.7	89.2	95.9	98.6
Unemployment Rate (%)	11.1	9.1	10.0	12.9	11.6	11.0
INCOME						
GDP at Current Market Prices ($mn)	1,663.5	1,742.7	1,864.3	1,975.2	2,110.4	2,209.9
Per Capita GDP ($, Current Mkt. Prices)	6,659.3	6,826.1	7,096.7	7,285.9	7,507.6	7,623.0
Real GDP Growth (%)	13.0	4.9	5.1	9.3	4.6	3.3
Sectoral Distribution of Constant 2000 GDP (%)						
Primary Activities	15.2	14.5	13.9	17.5	18.2	17.9
Secondary Activities	18.1	17.3	16.9	14.9	15.3	14.5
Services	66.7	68.3	69.3	67.6	66.5	67.6
MONEY AND PRICES ($mn)						
Annual Inflation	0.6	1.1	2.3	2.6	3.1	3.7
Currency and Demand deposits (M1)	310.2	364.8	358.1	361.1	406.7	423.1
Quasi-Money (Savings and Time deposits)	655.7	676.0	705.3	740.0	841.6	906.8
Money Supply (M2)	965.9	1,040.8	1,063.4	1,101.1	1,248.3	1,329.9
Ratio of M2 to GDP (%)	58.1	59.7	57.0	55.7	59.1	60.2
CREDIT ($mn)						
Commercial Bank Loans and Advances	695.4	788.5	904.6	1,056.6	1,176.0	1,254.7
Public Sector	11.1	12.9	16.0	30.0	46.3	63.0
Private Sector	684.3	775.6	888.6	1,026.6	1,129.7	1,191.7
INTEREST RATE (%)						
Weighted Average Lending Rate	15.8	15.4	14.5	14.2	14.0	14.3
Weighted Average Deposit Rate	5.0	4.3	4.5	4.9	5.2	5.4
Weighted Average Interest Rate Spread	10.8	11.1	10.0	9.3	8.8	8.9
CENTRAL GOVERNMENT FINANCES ($mn)						
Current Revenue	349.8	372.1	425.8	422.2	462.0	511.4
Current Expenditure	308.4	333.7	333.4	393.0	468.0	556.2
Current Account Surplus(+)/Deficit(-)	41.4	38.4	92.3	29.1	-6.0	-44.8
Capital Expenditure	247.5	267.4	260.3	276.4	180.9	117.6
Overall Surplus(+)/Deficit(-)	-139.9	-142.4	-68.8	-216.0	-125.3	-141.9
Ratio of Budget Deficit to GDP at mkt. Prices (%)	-8.4	-8.2	-3.7	-8.9	-5.9	-6.4
Domestic Financing (Net)	-74.0	72.7	-220.9	-62.4	-39.4	-24.1
External Financing (Net)	213.5	69.8	278.3	380.7	174.9	122.1
BALANCE OF PAYMENTS (US $mn)						
Merchandise Exports (f.o.b.)[1]	281.8	269.1	309.7	315.5	306.2	318.4
Merchandise Imports (f.o.b.)[2]	478.4	477.7	496.9	522.4	480.7	556.2
Trade Balance	-196.6	-208.7	-187.2	-206.9	-174.6	-237.9
Remittances (Inflows)	27.3	26.4	24.3	29.3	30.9	40.9
Tourism (inflows)	110.7	110.5	121.5	149.7	168.1	213.7
Services (Net)	28.2	44.0	43.6	69.7	86.8	141.5
Current Account Balance	-161.6	-182.3	-165.6	-176.4	-149.9	-151.6
Capital and Financial Flows	202.9	173.5	151.6	174.5	110.2	157.4
Gross Change in Official International Reserves [3]	-51.7	2.7	5.4	30.1	31.4	-18.0
Gross Official International Reserves	122.8	120.1	114.7	84.6	53.3	71.3
Import Cover of Reserves (in months)	3.2	3.2	3.2	2.1	1.4	1.6
PUBLIC SECTOR DEBT						
Disbursed Outstanding External Debt (US $mn)[4]	433.7	486.6	574.5	749.7	850.7	932.6
Ratio of Outstanding Debt to GDP at Mkt. Prices (%)	52.1	55.8	61.6	75.9	80.6	84.4
External Debt Service Payments (US $mn)	43.1	68.0	75.2	72.0	88.5	220.7
External Debt Service Ratio (%)[5]	9.8	15.3	15.2	13.6	16.3	35.6
Disbursed Outstanding Domestic Debt ($ mn)	176.0	210.8	174.2	257.8	278.6	279.5
Domestic Debt Service Payments ($ mn)	22.6	17.7	19.2	13.7	18.8	23.1

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

[1] Includes CFZ gross sales

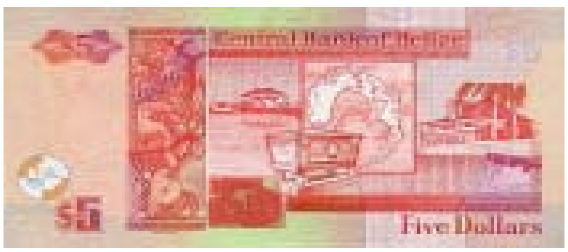
[2] Includes CFZ imports

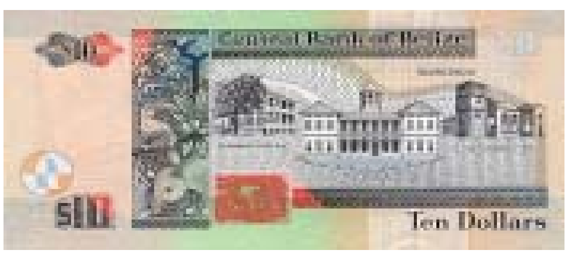
[3] A negative sign denotes an increase in reserves and vice versa

[4] Excludes guaranteed debts

[5] = amounts related to refinancing were excluded

Belize Currency Notes





Economic Overview

GDP grew by 3.1% in 2005 as the policy environment tightened somewhat in an effort to reduce pressure on the international reserves. Growth was led by services with tourism playing a key role in the expansion of distributive trade, transport & communications as well as the continuing growth in hotel and restaurant activity. Activity in fisheries also heightened as a result of developments in shrimp and tilapia farming. New employment opportunities were largely concentrated in community, social, communications and tourism services and these helped to cut the unemployment rate from 11.6% to 11.0% in the face of a 2.1% increase in the labour force. Meanwhile, the consumer price index rose by 3.7% in response to hikes in prices for petroleum and other imports as well as increases in water rates and government taxes designed to improve fiscal performance.

The efforts to improve the balance of payments position met with limited success as a significant expansion in the trade deficit eclipsed higher tourism earnings and remittance inflows. The external current account deficit consequently rose by 1.2% to $303.2mn although as a proportion of GDP it declined from 14.5% to 13.7%. The deficit was financed by foreign investment inflows and government borrowings that included two Bear Stearns bonds. Supported by these inflows, gross international reserves rose by $36.0mn to $142.6mn (1.6 months of imports).

While the net foreign assets of the banking system increased, growth in broad money slowed to 6.5% (down from 13.3% in 2004), as the Central Bank acted to reduce liquidity and credit expansion. In May, liquid asset and cash reserve requirements were raised by a further 1.0%, long-term loans to Central Government were removed from the list of approved liquid assets and the gradual sterilization of BSSB deposits was initiated. These measures contributed to a 32.3% contraction in excess statutory liquidity and a slowing in the growth of net domestic credit to 4.2% as compared to the 19.8% expansion in 2004. With greater reliance on foreign financing, net domestic credit to Central Government contracted by 16.9% and the growth of private sector credit fell from 11.1% to 6.4%. Much of the incremental credit was in the form of personal and real estate loans with lesser amounts being extended for construction and manufacturing. Loans for primary production declined with only banana and mining activity recording net increases.

With conditions tightening, the weighted average lending and deposit rates of commercial banks rose slightly, yielding a net increase of 10 basis points in the banks' weighted average interest rate spread, which stood at 8.9% at year-end.

A review of the government's fiscal performance during the 2005 calendar year, showed that its overall deficit widened to $141.9mn (6.4% of

GDP) largely due to a 40.1% growth in interest and other debt related payments to $170.3mn (7.7% of GDP). Capital outlays were cut by 35.0% to restrain the growth in the deficit. The primary balance improved as a result, swinging from a small deficit in 2004 to a surplus of $28.3mn (1.3% of GDP), an indicator of the effort being made to eventually reverse the upward trend in the debt/GDP ratio. The overall deficit was largely financed by external borrowing and privatization proceeds. Central Government's domestic debt consequently edged up only marginally to $279.5mn (12.6% of GDP) as a $5.1mn increase in local borrowing was nearly matched by $4.3mn in amortization payments. In contrast, the external debt rose by 9.0% to $1.9bn (84.2% of GDP), with disbursements of $427.9mn and downward valuation adjustments of $4.8mn outweighing principal repayments of $307.0mn.

In 2006, growth in the economy is likely to range between 2.0% and 3.0% as fiscal and monetary policies are tightened in a tactical way to slow consumption and improve the external current account position. Inflation is expected to rise to approximately 4.5% with the implementation of the General Sales Tax, high fuel prices at the pump and hikes in electricity rates. The export sector should perform well with the advent of crude oil exports and higher earnings from citrus products, sugar and papaya driving up the value of domestic exports by at least 12.0%. On the other hand, there are some concerns for the banana industry, which will be subject to the new and less favourable EU import regime. Its performance in 2006 will be a good indicator of the future viability of that industry. After a bumper year, citrus will return to normal output levels and marine and basic grain production should also not see much change. In the secondary sector, construction should be stable and manufacturing growth will hinge on the performance of items for domestic consumption such as soft drinks and beer, which did not appear to respond well to tax increases in 2005. Activity in services is not likely to exceed the 2005 level given a projected decline in cruise ship arrivals, fiscal tightening and other efforts to slow domestic consumption.

Although tested by several major disasters during the year, the global economy expanded by an estimated 4.3% with vigorous growth in the United States, China and Emerging Asian countries providing the major impetus for the rest of the world. While slightly below the previous year, growth was more broad-based as Japan remained on the road to recovery and continental Europe continued on an upward trend facilitated by low long term interest rates and buoyant export markets. Strong global demand led to a general rise in business investment and job creation. Notwithstanding the oil shock, overall prices in the larger developed countries remained stable as the increased cost of energy did not spill over into higher wage demand and long term inflation expectations.

Developments in Select OECD and Newly Industrialized Countries

Despite oil price spikes and the devastation left by three hurricanes in 2005, the **United States** economy expanded by 3.6% with growth being underpinned by robust increases in productivity and income, construction, and supportive financial market conditions. Even with little excess capacity and higher energy costs, core inflation remained stable at around 3.4%, while unemployment decreased to 4.9%. While the economy has shown strength and resilience, it has also been generating larger external current account deficits in recent years due to the expansion of the fiscal deficit and tax measures designed to stimulate domestic demand. In 2005, the external current account deficit was equivalent to approximately 6.0% of GDP. With its eye on the widening deficit and a possible build-up of latent inflationary pressure, the Federal Reserve has been gradually tightening monetary policy through small interest rate increases as a precautionary measure.

In **Britain**, GDP growth decelerated from 3.2% in 2004 to 1.7% in 2005 as the domestic housing boom came to an end and the operating surpluses of some insurance corporations declined following the Hurricane Katrina disaster. Exports, a moderate increase in business investment, government consumption and stronger activity in the services sector were the chief drivers of growth. The consumer price index rose by 2.1% with upward pressure being manifested as retailers passed on price increases for food and non-alcoholic beverages. The economic slowdown translated into a slight increase in the unemployment rate, which rose from 4.7% to 5.0%.

Canada's economy grew by 2.9%, driven by fast growth in its energy sector (which accounted for 60% of exports), construction and business services. The unemployment rate edged downward from 7.0% to 6.5% with growth in blue collar jobs in areas such as mining, oilfields and forestry. Soaring oil prices stimulated another round of investment into oil fields, oil and gas pipelines, railways and

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

Country	GDP Growth Rate (%)		Industrial Production (%)		Inflation Rate (%)		Unemployment Rate (%)	
	2004	2005	2004	2005	2004	2005	2004	2005
United States	4.4	3.6	4.2	2.8	3.3	3.4	5.4	4.9
Canada	3.1	2.9	3.4	1.5	2.1	2.3	7.0	6.5
Taiwan	5.7	4.4	9.9	9.5	1.6	2.2	4.4	4.4
United Kingdom	3.3	1.7	0.7	1.5	1.3	2.1	4.7	5.0
Japan	2.7	2.5	5.3	3.8	-0.1	-0.2	4.5	4.4

Sources: Economist and International Financial Statistics

port facilities. Surging energy costs also contributed to a small rise in headline inflation, which rose from 2.1% to 2.3%.

In the face of continued tense relations with mainland China, growing competition from developing countries, rising energy prices and interest rates, and excess inventory, growth in **Taiwan**, the world's twentieth largest economy, slowed to 4.4% while its inflation rate climbed to 2.2%. While the rate of expansion in industrial production slowed from 9.9% to 9.5%, unemployment remained stable at 4.4%. During the year, Taiwan continued to be a creditor economy, investing heavily in Asia and holding the world's third largest stock of foreign exchange reserves (US$252bn) as of October 2005.

Japan's economy expanded by 2.5% in 2005 driven by exports, business investment and private sector consumption. Strong corporate profits paved the way for an end to the hitherto declining trend in employment and wages. The unemployment rate fell 10 basis points to 4.4% and industrial production grew by 3.8% as demand for Japanese products remained strong overseas. With the general price level declining by -0.2% during the year, the Bank of Japan pledged to keep interest rates at zero while pumping cash into the economy to reverse the downward trend in core consumer prices.

Development in Selected Regional Economies

The Caribbean

Notwithstanding natural disasters in the form of floods and hurricanes, the Caribbean as a region is estimated to have grown by 3.9% in 2005, marginally above the 3.8% achieved in 2004. Growth was supported by the continued strength of external demand, low interest rates that prevailed for much of the year and, to a much lesser extent, an increase in aggregate domestic demand.

Buttressed by a combination of high international prices for oil and gas, an expansion in the liquefied natural gas sub-sector and construction, growth in **Trinidad and Tobago's** GDP accelerated to 7.0% in 2005 with unemployment decreasing from 8.6% to 8.0%. The windfall in oil revenues underpinned a fiscal surplus of US$300mn for FY2004/2005 and a projected surplus for FY2005/2006 as well. The improved position enabled a reduction in the stock of debt from 48.0% to 41.0% of GDP. With inflation rising from 5.6% in 2004 to 7.2% in 2005, measures were taken to tighten monetary policy during the year. In the external sector, the surplus on the current account more than offset net capital and financial outflows, causing net international reserves to rise from US$2.9bn to US$4.8bn.

The **Bahamian** economy expanded by an estimated 3.0% in 2005, boosted by growth in construction activity, robust domestic demand and ongoing investments in tourism projects. As at the end of October, tourist arrivals had declined by 2.1% to 4.2mn in response to an active hurricane season in 2005 and hurricane damage in 2004. Inflation rose to 2.2% from 0.9% in 2004, reflecting higher costs for medical and health care, education and food/ beverage items. Over the first five months of the fiscal year, higher tax revenues caused a 20.9% fall in the overall fiscal deficit to $50.0mn. Strong domestic demand led to contractions in the liquidity of the banking system and when combined with high fuel prices, resulted in a 12.3% decline in external reserves to $582.9mn.

Growth in the **Barbadian** economy slowed from 4.8% to 4.1% driven by construction and the wholesale and retail trade sector. The average unemployment rate, for the first nine months, fell by 0.8 percentage points to 9.1%. Up to the end of November, activity in the tourism sector had declined by 4.2% with stay-over visitors down by 1.1% and cruise ship passengers declining by 22.7%. Except for a small increase in sugar output, agricultural production also declined during 2005. At the end of September, annualized inflation was estimated at 5.1% compared to 0.8% for the same period of 2004 with upward pressures coming from higher food and energy prices. The fiscal deficit for calendar year 2005 rose to 2.9% of GDP with financing coming largely from injections of US$125.0mn that was raised on the international bond market.

Jamaica's economy growth accelerated from 0.9% in 2004 to 1.5% in 2005, notwithstanding two hurricanes and higher international oil prices. Mining and construction were the main contributors to this growth. Tourism grew by

Table II.2: Selected Indicators for Some Caribbean Countries

Country	GDP Growth Rate (%)		Inflation Rate (%)		Unemployment Rate (%)		Net International Reserves US$mn	
	2004	2005	2004	2005	2004	2005	2004	2005
Barbados	4.8	4.1	0.8	5.1	9.9	9.1	595.3	489.1
The Bahamas	2.8	3.0	0.9	2.2	n.a.	n.a.	1,190.5	1,238.0
Guyana	1.6	-2.9	5.5	6.0	n.a.	n.a.	136.6	160.5
Jamaica	0.9	1.5	13.7	16.0	11.7	12.0	1,858.5	2,087.0
OECS	4.1	4.0	2.4	3.5	n.a.	n.a.	n.a.	n.a.
Trinidad & Tobago	6.5	7.0	5.6	7.2	10.5	8.4	2,933.0	4,765.0

Sources: ECLAC, IMF, Central Bank of Barbados, Central Bank of Bahamas, Bank of Guyana, Bank of Jamaica, ECCB, and Central Bank of Trinidad & Tobago
n.a. = not available

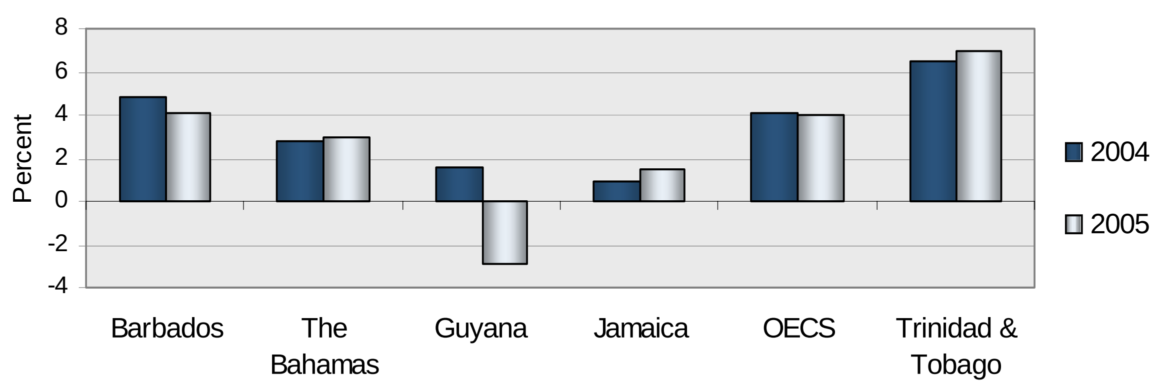
2.0% with new investments in the sector compensating for declines in the number of stay-over and cruise ship arrivals. Meanwhile, even though the external shocks led to sluggish revenue collections the Jamaican government planned to end the year with a deficit of close to 1.0% of GDP, a target essential for the reduction in the debt stock which stands at 136.0% of GDP and which accounts for more than 60.0% of government's expenditure. The rate of inflation remained at the two-digit level (16.0%), fueled by higher energy costs, while unemployment stood at 12.0% in April 2005.

In **Guyana**, GDP registered a 2.9% decline in contrast to the 1.6% increase in the previous year. The agricultural sector (particularly sugar and rice) suffered from floods and subsequent food shortages along with higher oil prices and sharp increases in money supply and credit pushed up the rate of inflation from 5.5% to 6.0%. The fiscal deficit rose to 13.0% of GDP in 2005 as the slowdown in economic activities reduced tax revenues while capital expenditure expanded for disaster recovery efforts and construction for the Cricket World Cup. Some fiscal relief was provided by the G-8 debt write-off, which represented a decrease in debt obligations payments of 0.5% of GDP. Consequently, the overall balance of payment registered a surplus of US$3.1mn as the increase in the external current account deficit was more than offset by net capital inflows and official aid flows related to debt relief.

OECS

Growth in the OECS was estimated at 4.0%, for the second consecutive year driven by an upsurge in construction as preparations are made for the 2007 Cricket World Cup and increased activity in wholesale/retail trade, transportation/ communication and the banking sector. In contrast, the performance of the tourism sector was weaker as stay-over and cruise ship arrivals registered slight declines. Output in the agriculture sector declined significantly in 2005 due to the very weak performance of the traditional export crops such as banana, sugar, nutmeg and cocoa. The rate of inflation has been provisionally estimated at 3.5%

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



due to a significant hike in the international price of oil and commodities such as cement, steel, lumber and other building materials. Substantial foreign exchange reserves continued to be held in order to maintain the stability of the EC dollar, while assets of the banking system grew and liquidity levels remained high.

Mexico

GDP growth in **Mexico** slowed to 3.0% (compared to 4.2% in 2004) in the face of increasing competition from Asia (particularly China) for the US market. Between September 2004 and September 2005, Mexico's share of world exports to the US fell from 10.7% to 10.2% and the manufacturing sector took the brunt of this, growing by only 0.9% during the first nine months of the year as contractions in textiles, logging, machinery and metals overshadowed small gains in chemicals and automobiles. While the value of merchandise exports increased by 13.7%, this was largely due to a 34.8% increase in petroleum sales. Non-petroleum exports rose by 10.6%, a slower rate of expansion than the previous year. Bouyed by particularly strong petroleum prices, the international reserves rose by US$4.0bn to US$65.5bn. The latter, along with increased remittances and foreign direct investment spurred a 3% real appreciation of the Mexican Peso that in turn contributed to a lowering in the inflation rate from 5.2% in 2004 to 2.9% in 2005. The unemployment rate also declined from 5.4% to 4.9% during the year.

Central America

Economic activity in Central America expanded by 4.0% during 2005 with the Panamanian economy registering the fastest growth of around 6.0%, while El Salvador lagged with GDP rising by 2.5%. As net oil importers, all of the Central American countries' experienced a worsening in their terms of trade given the record high prices for crude oil in the international market. Current account deficits also widened as a result. Inward remittances to most countries rose significantly (caused by a rise of Latin American employment in the USA) and this helped to drive domestic consumption. High oil prices contributed to inflationary pressures across board ranging from 3.9% in Panama to 14.1% in Costa Rica.

The **Costa Rican** economy expanded by 4.2% with growth in all major sectors of the economy. Manufacturing was up by 5.6%, reflecting increased output of microprocessors and textiles for the export market. Agriculture grew by 4.1% and the services sector also performed well. Although exports grew by a healthy 11.8%, fuelled by a rally in coffee prices, the sale of non-traditional agricultural products and a rebound in sales of microprocessor chips, the external current account deficit rose to 5.2% of GDP as the trade balance worsened and increases in profit repatriation offset the surplus on the services account. An increase in financial inflows (mostly private sector) financed the external deficit and pushed international reserves up by US$290.0mn. The fiscal deficit remained

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

Country	GDP Growth Rate (%)		Inflation Rate (%)		Deficit/GDP Ratio (%)		Net International Reserves US$bn	
	2004	2005	2004	2005	2004	2005	2004	2005
Mexico	4.2	3.0	5.2	2.9	n.a.	n.a.	61.5	65.5
Costa Rica	4.2	4.2	13.1	14.1	n.a.	n.a.	1.8	2.9
Nicaragua	5.1	4.0	8.9	10.5	6.1	5.6	0.5	0.5
Panama	7.6	6.0	1.5	4.0	n.a.	3.6	n.a.	n.a.
El Salvador	1.5	2.5	5.4	4.3	n.a.	n.a.	1.9	1.8
Honduras	5.0	4.2	8.2	8.8	3.4	2.9	n.a.	n.a.
Guatemala	2.7	3.2	9.2	8.6	1.0	1.4	3.5	4.1

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

at 2.8% of GDP with government revenues rising and expenditure being held in check. Inflation reached 14.1%, reflecting the rise in petroleum prices, an increase in water and electricity rates and higher prices for certain agricultural goods. Unemployment also rose minimally from 6.7% to 6.9%.

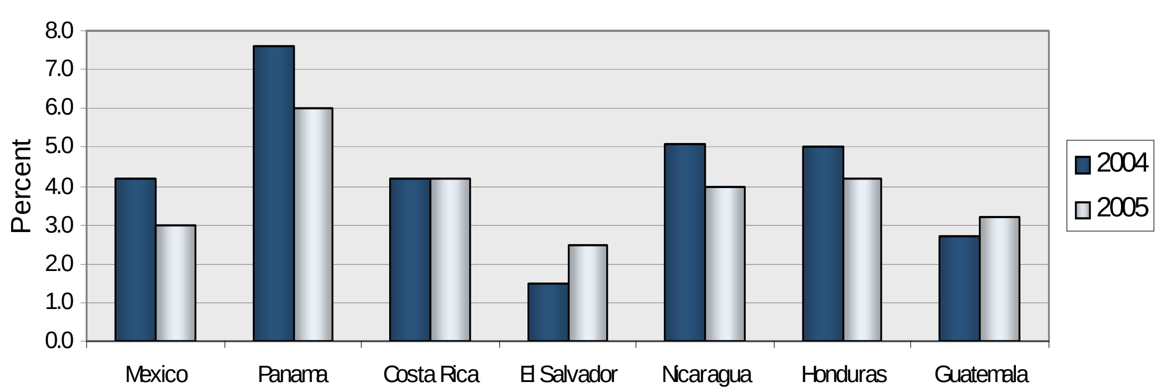
El Salvador's GDP rose by 2.5% with an 11.0% increase in family remittances (to more than US$2.0bn) spurring private consumption but with unemployment increasing as a result of a contraction in jobs available in the "maquila" sector of the economy. Agriculture grew by 4.3% with output of basic grains, coffee and sugar rising. Even with the closure of some 'maquila' businesses, manufacturing rose by 1.8% and construction was up by 0.8% as a result of public and private investment in port facilities. At 4.6%, the annual rate of inflation was largely due to the rise in food prices after Hurricane Stan and higher world petroleum prices. The trade deficit widened as the cost of imports rose and this contributed to an external current account deficit that was equivalent to 3.9% of GDP. The latter was funded by foreign direct investment, external borrowings and the drawdown of US$67.0mn of from international reserves. At the end of September, the overall fiscal deficit decreased to 0.6% of GDP and the public sector's external debt stood at US$4.9bn, approximately 40.0% of GDP.

Notwithstanding hurricane destruction in September, **Guatemala's** GDP grew by 3.2% in 2005 with all sectors, except for mining and construction, performing well. Tourism was negatively affected by the hurricane, which accounted for a drop in tourist arrivals of 100,000 and a US$50.0mn contraction in receipts. Agriculture grew by 3.0%, spurred by greater production of basic grains, fruits and vegetables, as coffee production remained almost constant, and banana yields fell. A rally in the export of manufactured goods underpinned a 2.9% expansion of this sector. Fuelled by remittances, private sector consumption expanded by 4.1%. Fiscal policy was also loosened somewhat with the government's overall deficit rising from 1.0% to 1.4% of GDP. At 8.6%, the annual rate of inflation was well above the target of 4% to 6% set by the Bank of Guatemala and preliminary figures indicate that unemployment for the year was approximately 3.1%. With imports growing faster than exports, the external current account deficit widened to 4.1% of GDP, the shortfall being covered by a surplus on the capital and financial accounts that also helped to push gross international reserves up by US$279.0mn.

Although the performance of the agricultural sector was negatively affected by unstable weather conditions, the **Honduran** economy grew by 4.2% with the "maquila" component of the manufacturing sector expanding and domestic consumption being bolstered by an increase in remittances from abroad. The fiscal deficit fell from 3.4% of GDP to 2.9%, as the government met the targets set under an IMF programme and benefited from debt relief. However, the external current account deficit worsened from 5.2% to 5.7% of GDP as imports continued to expand at a faster rate than exports. Inflows on the capital and financial account financed this deficit and expanded gross international reserves by US$28.0mn to US$180.0mn. The rate of inflation was approximately 8.8% and largely due to the hike in petroleum prices with the categories experiencing the largest increases being transport, housing, water and other fuels.

Economic activity in **Nicaragua** expanded by 4.0% fueled by export agriculture, manufacturing, free zones and construction. The service sector was also vibrant, in particular, financial services, commerce, transport and telecommunications. The economic expansion was accompanied by a worsening of the external current account deficit to 18.1% of GDP that was financed by a surplus on the capital/ financial accounts and US$39.0mn withdrawn from the international reserves. In the run-up to presidential elections in 2006, the government

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



suspended its IMF program but was nonetheless successfull in negotiating debt relief in September of some US$3.8bn. With higher revenues and cost savings from lower interest payments, the fiscal deficit as a percent of GDP declined from 6.1% to 5.6%. The rate of inflation rose to 10.5%, pushed up by an increase in the price of fuel and transportation, adjustments in the rate for certain public services and higher prices for some agricultural goods.

Panama's economy expanded by an estimated 6.0%, benefitting from growth in the US, Asia and Latin America as well as higher levels of domestic consumption and investment. Fiscal reforms helped to lower the overall deficit from 5.0% to 3.6% of GDP. The latter, along with reforms of the social security system, reduced the country's risk rating to the lowest level ever and facilitated the restructuring of its debt profile. The external current account deficit increased to 9.7% of GDP as imports, affected by higher oil prices and an increase in capital goods, rose faster than exports. The large surplus on the financial account generated partly by significant direct investment inflows financed the external deficit and pushed up international reserves by US$319mn. High oil prices, which pushed up the cost of transportation by more than 10%, as well as significant increases in housing, water, electricity, food and beverages, caused the rate of inflation to increase to 4.0%. Meanwhile, the urban unemployment rate fell from 14.1% in 2004 to 12.0% in 2005.

Production

With fiscal and monetary policies tightening, growth in GDP decelerated to 3.3% (compared to 4.6% in 2004). The services sector moved to the forefront of economic activity during the year with a 6.3% expansion while the primary sector increased by 2.1% and activity in the secondary sector contracted by 0.9%. Notwithstanding the economic slowdown, the unemployment rate (measured annually in the month of April) declined from 11.6% to 11.0% largely due to the creation of new jobs in the services sector.

The overall performance of the primary sector was mixed with agriculture contracting by 0.7% as output of most major export commodities fell except for citrus and papaya. On the other hand, an 6.9% expansion in fishing was spurred mostly by higher farmed shrimp output and the nascent growth of the tilapia industry.

Construction shrank by 3.4% as large projects such as the Chalillo hydroelectric facility came to a gradual close and the government curtailed capital outlays. Notwithstanding record-breaking output of citrus juices and by-products, manufacturing had virtually flat growth at 0.1%, reflecting declines in the production of sugar and major items such as soft drinks and beer that are produced mostly for the domestic market. The utilities contracted by 0.6% with imports of Mexican electricity rising to meet consumer demand during the extended dry season that negatively impacted the performance of the hydro-electric plant.

Table III.1: Annual Percent Change in Selected Indicators

	2003	2004	2005
GDP at Current Market Prices	5.9	6.8	4.7
Real GDP (2000 prices)	9.3	4.6	3.3
Primary Activities	37.6	9.4	2.1
of which: Agriculture	15.5	11.9	-0.7
Fishing	110.3	5.5	6.9
Forestry	-5.2	8.1	11.1
Secondary Activities	-3.7	7.4	-0.9
of which: Construction	-17.9	4.6	-3.4
Manufacturing	-0.5	12.3	0.1
Services	8.2	3.3	6.3
of which: Restaurant & Hotel	14.5	7.8	4.1
Trade	1.4	0.0	5.6
Public Administration	6.3	1.3	1.3
Transport and Communication	8.6	5.0	7.8
Financial intermediation	31.5	5.4	12.9
Consumer Price Index			
Average	2.6	3.1	3.7
End of period	2.3	3.0	4.2

Source: Central Statistical Office

In the area of services, wholesale and retail activity grew by 5.6% as imports surged partly due to the growth in tourism. The latter also contributed to a 4.1% increase in hotel and restaurant activities while the advent of a new telecommunication service provider contributed to a 7.8% increase in transport and communication services. Government services grew by 1.3%, even with programmed efforts to reduce the fiscal deficit and achieve a primary fiscal surplus.

The Consumer Price Index (CPI) rose by 3.7% influenced largely by the rising cost of imports, higher prices for energy and water as well as an increase in excise duties and business and environmental taxes.

Agriculture

Sugarcane

Drought conditions during the critical growing period of the 2004/2005 crop reduced overall yields, leading to a 19.2% contraction in sugarcane deliveries to 929,393 long tons, the lowest level in three years. Deliveries by farmers were down by 18.8% to 878,468 long tons. In addition to declines experienced by ordinary farmers, yields from the cane-growing project and the processing company's research division fell noticeably (from 24.1 to 17 long tons per acre) notwithstanding the higher standards of management practices and inputs characterizing these production units. While its primary impact was to reduce yields, a partially compensatory result of the extensive dry was the concentration of sugars in the sugarcane (pol of 12.9% versus 11.0% in 2003/2004) and improvement in cane purity (from 85.09% to 85.83%).

In another positive development, the estimated average final price per long ton of sugarcane rose by $8.13 to $54.20 mostly due to exchange rate gains from the Euro denominated average unit price negotiated in the futures market and an increase in the percentage share of sales to the preferential markets.

Citrus

Citrus production surged by 32.7% during the 2004/2005 crop year as a record breaking bumper crop was harvested. Approximately 86.8% of the crop was processed, 2.6% went into fresh fruit exports and 1.7% was rejected at the factories, an improvement over the 2.5% rejection rate in the previous year. The remaining 8.9% consisted of fruit lost or not harvested, the casualties of bottlenecks arising from the anomaly of having one massive harvest instead of the usual extended 2 to 3 harvest periods per season.

Table III.2: Sugarcane Deliveries

	2002/03	2003/04	2004/05
Deliveries to BSI (long tons)	1,073,339	1,149,475	929,393

Source: Belize Sugar Industries Ltd.

Table III.3: Citrus Fruit Deliveries

	2002/03	2003/04	2004/05
Deliveries ('000 boxes)	5,124	6,426	7,793
Oranges	4,046	4,947	6,265
Grapefruits	1,078	1,479	1,528

Source: Citrus Growers Association

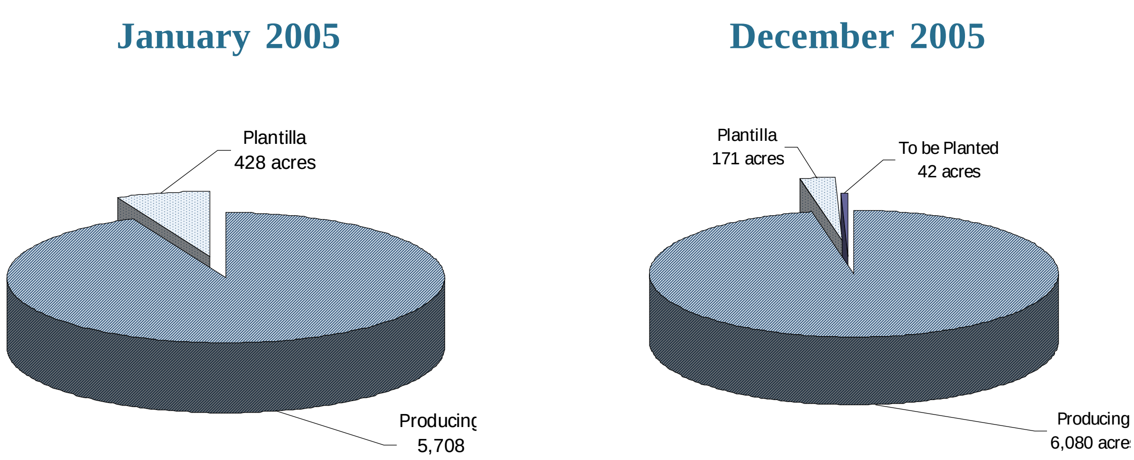
Notwithstanding the proportionately lower percentage of the crop that was processed (86.8% versus 95.0% in 2003/2004), factory deliveries surged by 21.3% to 7.8mn boxes. Orange deliveries increased by 27.6% to 6.3mn boxes, while deliveries of grapefruit climbed by 3.3% to 1.5mn boxes. This performance was attributed to favourable weather and agronomic conditions, increased fertilizer and agro-chemical usage and, in the case of grapefruit, the continued implementation of a Mexican fruit fly control program, which reduced fruit drop. Other motivational factors may have been the pound solid payment system as well as a renewed sense of involvement and ownership by growers.

After several years in the doldrums, international prices for citrus products rallied, driving up domestic fruit prices as adverse weather in major citrus producing countries such as Spain, Brazil, Florida and Cuba decreased global production. The estimated final price for orange consequently went up by 7.5% to $0.95 per pound solid (pps), while that of grapefruit settled at $2.44 pps, equivalent to $9.82 per box, substantially above the $3.84 paid in 2003/2004.

Banana

Unfavourable weather at the start of the year and the decision by growers to cut back on field inputs in anticipation of a further price cut led to reduced banana production of 4.0mn boxes, some 0.3mn boxes below the previous year's output.

Chart III.1: Banana Acreage



Banana acreage under cultivation has remained relatively constant over the past two years, though small annual variations in the total acreage do occur and even wider variations between harvestable and young trees (plantilla) exist. In January, 5,707.6 acres had harvestable trees and 428.2 acres were under plantilla. By December, harvestable acreage had risen to 6,080.3 acres with 171.2 acres under young trees and 42 acres prepared for planting.

Papaya

Papaya production continued on an upward trend that was opportune since output of two competitors for the US market was down. Brazilian production was disrupted by heavy rains and by favourable coffee prices that influenced several Brazilian growers to shift to planting coffee instead. Mexican papaya production was also affected by unstable weather patterns. Belize's share of papaya exports to the US market consequently increased from 18.9% to 20.8%.

While total acreage under cultivation increased by 43 acres to 1,403 acres during the year, the harvestable area expanded by 110 acres to 941 acres. Of the latter amount, 800 acres consisted of large papayas (Tainung) and 141 acres were under the solo variety. Papaya production was concentrated in the Corozal District where both large and small papayas are grown. In the Cayo District, some 33 acres of Solo papayas were cultivated.

Other Agricultural Production

Production of basic grains, vegetables and fruits was mixed. Grains generally performed well. A 12.6% expansion in acreage and improved yields from mechanized corn boosted overall production of this grain by 33.6% to 104.1mn pounds. On the other hand, sorghum declined by 17.0% principally because of a contraction in harvested acreage particularly in the Corozal District where farmers shifted acreage to red kidney beans and papaya. Significant improvements in yields from mechanized and irrigated rice fields boosted overall production by 70.1% to 39.2mn pounds. Soybean production increased by 7.0% due to an improvement in yields as harvested acreage was halved to only 300 acres. Bean production rose by 12.5% to 16.8mn pounds as a decline in blackeye peas was offset by increases in red kidney, black and other miscellaneous varieties.

Due to unfavourably dry weather, production of most vegetables was down, with the notable exception of hot pepper, irish potato, onion and broccoli. High demand for hot pepper in the US spurred production of this crop. Increased output of irish potato reflected an expansion in harvested acreage, while onion and broccoli benefited from more use of irrigation. Root crop production mostly increased with the exception of cassava and sweet potato.

Livestock production was mixed. Cattle dressed weights declined by 39.0% to 3.6mn pounds, as high prices encouraged the sale of live cattle to

Guatemala. Poultry increased by 6.0% to 30.5mn pounds while pig dressed weights grew by 37.0% to 2.3mn pounds as a rise in demand spurred production. Milk output rose by 5.0% to 8.3mn pounds while egg production fell by 16.0%. Honey yields declined by 17.0% to 0.06mn pounds.

Marine Products

Further increases in farmed shrimp outweighed declines in most other marine species and contributed significantly to the 3.4% increase in fishery production to 26.7mn pounds.

While the output of whole, farmed shrimp increased by 4.3% to 25.4mn pounds, the wild capture of sea shrimp fell significantly by 56.9% to 0.07mn pounds due to a reduction in the number of shrimp trawlers working in the fishing grounds. The latter was influenced by the abundance of farmed shrimp as well as high fuel prices that made it uneconomical for the local cooperatives to participate in joint venture shrimp operations with Honduran trawlers.

Output of conch (most of which was market cleaned) increased by 2.0% to 0.6mn pounds. On the other hand, lobster output fell by 12.4% to 0.5mn pounds. Whole fish handled by the cooperatives fell by 19.6% to 0.02mn pounds as the cooperatives restricted purchases from their members. The latter restriction may change if a partnership venture into Cobia fish farming and deep-sea fishing being currently assessed by one of the major fishing cooperatives prove financially viable.

Forestry, Mining and Construction

Forestry expanded by 11.1%, reflecting the continustion of efforts to harvest pine trees damaged by the pine bark beetle.

Construction shrank by 3.4% as large projects such as the Chalillo hydroelectric facility came to a gradual close and the government reduced capital spending. The contraction was however ameliorated by other projects that were completed or initiated during the year, such as the upgrade of the Spanish Lookout road, the construction of the US embassy and the expansion of the international airport runway.

While construction projects and oil exploration efforts partly accounted for the 2.5% expansion in the mining sub-sector, developments of interest included the granting of several exclusive prospecting licences for metal exploration, primarily silver and gold, in the Ceibo Chico area of the Chiquibul forest.

Manufacturing

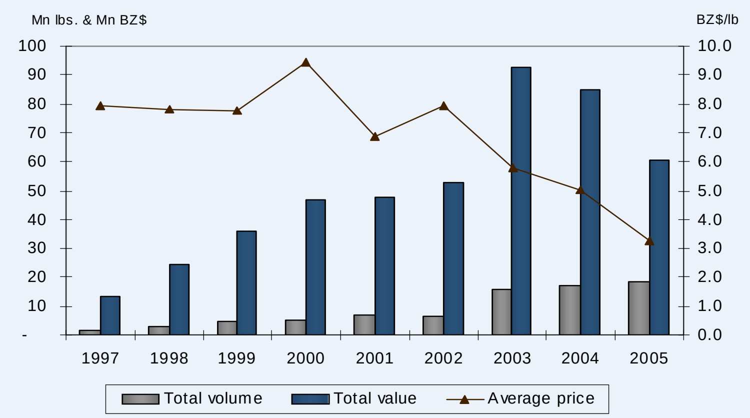
Sugar and Molasses

Factory operations commenced on November 29th and closed on May 31st after only 184 days of operation. With deliveries down 19.2%, sugar production declined by 13.8% to 100,435 long tons, a less than proportionate reduction that was largely due to the higher sugar content of the crop. A positive development was the implementation of a 24-hour delivery system that reduced the long

Box 1: Farmed Shrimp

Over the last decade, farm-raised white shrimp has played a major role in the diversification of Belize's export base. Production grew rapidly, expanding from approximately 1.1mn pounds in 1996 to a high of 18.4mn pounds in 2005. Except for a 4.7% decline in 2002 when the industry was affected by the Taura virus, shrimp production grew yearly, boasting an average annual growth rate of 30.0%. Receipts from shrimp (farmed and wild catch) rose from 3.1% of gross domestic export earnings in 1996 and reached an all time high of 24.3% in 2003 when earnings totaled $92.8mn. However, notwithstanding a steady increase in export volume, depressed prices in recent years have caused a progressive decline in export value down to $60.5mn in 2005.

Shrimp Exports and Price

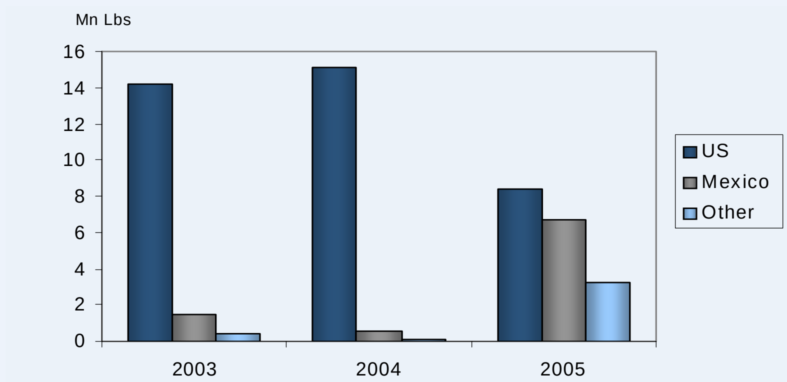


The United States Department of Agriculture reported that the average price for shrimp imported into the US, where the majority of Belizean shrimp was traditionally sold, fell for 5 consecutive years from US$4.94 per pound in 2000 to US$3.12 per pound in 2005. Notwithstanding the levying of antidumping duties that affected major suppliers from six countries, average prices for frozen shrimp still declined in US markets during 2005.

Because of the low prices in the US, domestic farmers have been forced to look to other markets where prices are more favorable. In 2005, the share of the total volume of shrimp exported to the US contracted by more than half, falling from 96.0% in 2004 to 45.8% in 2005. In contrast, shrimp exports to Mexico and Europe rose substantially from 3.6% and 0.4% in 2004 to 36.6% and 17.5%, respectively in 2005. While shrimp sales to the US consisted of mainly tails, sales to Mexico and Europe were comprised of head-on shrimps (of higher bio mass) that fetched a lower average unit price when compared to the tails.

Box 1: Farmed Shrimp (cont'd)

Shrimp Export Markets



As a result, the decline in the export earnings observed in 2005 was not only attributable to lower average prices but also due to the shift in the export mix from mainly tails to whole shrimps. In fact, whole shrimp exports to Mexico in 2005, which were sold at farm gate prices, averaged only US$1.00 per pound compared to US$2.23 per pound received on the US market. In spite of the lower prices, however, some farms reported that they netted a bigger profit margin with the whole shrimp since the reduction in prices was outweighed by the savings in processing and transportation.

With shrimp prices not expected to rise significantly, the viability and profitability of local shrimp farms rest on their ability to lower their cost of production, access more favourable markets and offer more value added products.

Sources: Central Statistical Office, Central Bank of Belize Sixteenth Annual Report and Accounts, USDA Livestock, Dairy & Poultry Outlook/LDP-AQS-23/March 9, 2006

Table III.4: Sugar and Molasses Production

	2002/03	2003/04	2004/05
Sugar Processed (long tons)	104,433	116,515	100,435
Molasses Processed (long tons)	42,944	41,117	37,074
Performance			
Factory Time Efficiency	93.11	92.27	94.57
Cane Purity (%)	85.08	85.09	85.83
Cane/Sugar Ratio	10.28	9.87	9.25

Source: Belize Sugar Industries Ltd.

queues and consequent deterioration of the cut sugarcane during the protracted waiting period prior to factory reception and processing. Hence, although a lower mud content only partly compensated for factory inefficiencies that led to a lower sugar extraction rate (from 94.6% to 93.9%), the higher quality of the sugarcane caused the cane/sugar ratio to improve by 6.3%, moving from 9.87 to 9.25 long tons of sugarcane needed to produce one ton of sugar. The lower processing volume of sugarcane was the main cause of a 9.8% fall in molasses production to 37,704 long tons.

Citrus Juices and Pulp

A 21.3% increase in fruit deliveries pushed citrus juice production up by 26.3% to 44.2mn pound solids (ps) for the 2004/2005 crop year. Also contributing was an improvement in the average yield of pound solids per box of fruit with orange increasing from 5.73 ps to 6.15 ps and that of grapefruit moving from 3.87 ps to 4.02 ps.

The more attractive price for concentrates compared to the not-from concentrate product caused the bulk of deliveries to be used for production of orange and grapefruit concentrate. With orange experiencing the largest volume increase, orange concentrate production surged by 35.1% to 37.7mn ps, while grapefruit concentrate, in line with deliveries, rose by a more modest 7.6% to 5.8mn ps. Freeze concentrate made up only 3.4% of concentrate juices as market demand remained relatively weak. Output of not-from-concentrate (NFC) dropped to almost one-third that of the previous

Table III.5: Production of Citrus Juices and Pulp

	2002/03	2003/04	2004/05
Production ('000 ps)	28,381	35,202	44,221
Orange Concentrate	23,067	27,902	37,689
Grapefruit Concentrate	3,728	5,432	5,846
Not-from-concentrate (NFC)	1,586	1,868	686
Production ('000 pounds)			
Pulp	366	626	2,490

Source: Citrus Products of Belize Ltd.

year (0.7mn ps) with the industry seeking to maintain a token presence in the market, notwithstanding its relatively lower profitability.

Production of pulp, mostly from orange, almost quadrupled to 2.5mn ps, the result of a drive to increase the output and sale of by-products as a way of maximizing the industry's value added.

Other Manufacturing Production

The performance of the rest of the manufacturing sector was lacklustre with production of most items, except rum, decreasing. Notwithstanding a tripling in the excise duty on alcohol, rum output rose by 45.7% to 34.3mn gallons. In contrast, soft drink and beer production declined by 10.0% and 12.3% to 4.9mn and 1.9mn gallons, respectively. Cigarette production was also down by 6.6% to 78.2mn units. With respect to the latter three items, the increase in excise duties may have lowered domestic consumption and/or caused an escalation in the contraband trade in these products, despite the crackdown by custom authorities. In other developments, flour production declined by 3.0% to 26.9mn pounds and battery output plummeted by 98.7% with the closing down of a local producer. Fertilizer production remained almost constant at 26.9mn tons.

Tourism

International tourism fared surprisingly well during the year despite terrorist attacks in Britain and elsewhere, natural disasters such as the Indian Ocean tsunami and an extraordinarily active hurricane season. Preliminary results from the World Tourism Organization indicate that the number of international tourist arrivals recorded worldwide grew by 5.5% to approximately 808.0mn. Within the region, tourist arrivals in the Caribbean and Central America grew by 5.5% and 13.8%, respectively.

Domestically, after strong growth in recent years, the tourism industry slipped into moderate gear with stay-over tourist arrivals, the lifeblood of the industry, rising by 3.0% to 227,036, while cruise ship visitors declined by 6.0% to 720,298 disembarkations partly due to the negative impact of the highly active hurricane season.

The growing recognition of Belize as a prime, tourist destination helped to boost air seat capacity to the country. Not only did the number of flights from the US, the main market, increase during the year, but the departure points within the US also diversified, thereby improving accessibility to a wider American market. The number of overnight visitors entering the country through the Phillip Goldson International Airport (PGIA) consequently increased by 7.2%, even as arrivals through the land and sea borders declined by 9.0% and 10.7%, respectively.

Box 2: Tourism Developments and Prospects

The performance of the tourism sector was mixed in 2005 as stay-over arrivals increased by 2.5% while cruise arrivals fell by 4.2%.

The Belize Tourism Board (BTB) continued its marketing efforts at shows in the USA and in Europe. Through its relationship with the Sistema de Integración Centro Americana (SICA), the BTB has also been seeking to gain greater exposure in the European market by developing ties with European tour operators that deal with the Central American region. The eventual objective is to increase European arrivals to the country via Central America. Another positive development was a cooperative online marketing effort for over 160 small hotels (which offer rooms for US$60 per night or less) called the Toucan Trail. Fully supported by the BTB, this program aims to promote socially-responsible, environmentally-sound, sustainable tourism that benefit local communities and visitors as well.

With respect to infrastructure, the re-surfacing of the Caye Caulker airstrip was completed in 2005 and the project to expand the runway at the Phillip Goldson International Airport was started. Major hotel or resort development included the construction of 11 condominiums in the Placencia area and the inauguration of the Golden Princess casino at the Santa Elena northern border. In other developments, legislation relating to the operation of tour operators/tour guides was passed.

The development programme for 2006 is expected to include:

a) Paving of the Placencia road

b) A comprehensive advertising campaign targeting Canada, Europe and the US.

c) Modification of cruise legislation to include matters relating to the CARICOM Single Market and Economy

d) Opening of the Las Vegas Casino at the Santa Elena northern border

e) Refurbishment and upgrade of the Belize City Princess Hotel and Casino

f) The development of a Tourism Master Plan for Belize

g) Commencement of the construction of the Carnival port

Source: Belize Tourism Board

Table III.6: Bonafide Tourism Arrivals & Expenditure

	2003	2004	2005
Stayover Arrivals			
Air	153,637	164,073	175,965
Land	47,100	48,165	43,815
Sea	8,442	8,121	7,256
Total stayovers	**209,179**	**220,359**	**227,036**
Cruise Ship Arrivals	**511,924**	**766,292**	**720,298**
Expenditure by stay-overs ($mn)	*245.7*	*259.5*	*354.9*
Expenditure by cruise visitors ($mn)	*43.4*	*65.0*	*61.1*

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

With its economy performing strongly notwithstanding the rise in world oil prices and hurricanes that affected several southern states, arrivals from the US rose by 6.4%, and it consequently remained the major market, accounting for 64.8% of all tourists and for virtually all the growth in overnight visitors. At 13.9% of all visitors, the EU retained its position as the second largest market. Arrivals from this region went up by a more modest 1.5% as the euro-zone economy grew marginally during the year.

After moving from less than 50,000 arrivals in 2001 to 766,292 in 2004, fast growth by any standard, the cruise sub-sector suffered a small reversal with disembarking visitors declining by 6.0% to 720,292. The decline directly reflected a reduction in the number of port calls and visiting ships, as an unusually active hurricane season forced the major cruise lines to cancel port calls and shorten cruise itineraries. Hopes that Belize would benefit from the temporary redirection of port calls from Cancun (a competitor port) in the aftermath of its hurricane devastation did not materialize.

Prices

A combination of external and domestic factors pushed the cost of living to a six-year high. Exercising a domino effect on prices elsewhere in the economy, energy costs went up significantly as crude oil prices spiked in response to the rapid growth in world oil demand, disruptions in major oil producers such as Iraq, Nigeria and Venezuela, and damage to oil rigs from severe storms in the USA Gulf coast. High international freight rates along with a 3.3% increase in the cost of imported goods (as proxied by the US export price index up to October 2005) contributed to the increase in the cost of imports. On the domestic front, cost push factors included tax increases implemented in the first part of the year and a rise in utility costs. The overall effect was a 3.7% rise in the Consumer Price Index (CPI), with average prices in all categories of goods and services rising, except "Clothing & Footwear" whose price level fell by 0.1%.

"Transport & Communication" services had the biggest increase of 5.7% mostly due to an increase in the price of fuel at the pump and higher airfares. Higher prices of some basic foodstuffs and

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

Major Commodity	Weights	Feb-05	May-05	Aug-05	Nov-05	Inflation Rate
Food, Beverage and Tobacco	346.6	0.1	2.6	2.7	-0.4	4.7
Clothing and Footwear	92.0	0.2	0.3	0.3	-0.9	-0.1
Rent, Water, Fuel and Power	167.0	0.2	3.0	-0.1	2.2	4.2
Household goods & Maintenance	85.3	0.1	0.6	0.5	0.5	0.7
Medical Care	20.1	0.1	0.4	1.2	1.1	1.8
Transport and Communication	170.1	0.4	2.9	2.3	0.6	5.7
Recreation , Education, Culture	80.4	0.3	-0.1	0.5	0.0	0.8
Personal Care	37.9	0.3	0.4	0.8	-0.9	0.9
All items	**1,000.0**	**0.2**	**2.1**	**1.5**	**0.3**	**3.7**

Source: Central Statistical Office

increases in the excise taxes on local cigarettes, soft drinks, beer and rum contributed to the 4.7% increase in "Food, Beverages & Tobacco". "Rent, Water, Fuel and Power" rose by 4.2% with an increase in the rates for water/sewer services and electricity and higher butane/ cooking oil costs.

Increases in "Medical Care", "Personal Care", "Recreation, Education & Culture" and "Household Goods & Maintenance" were more modest at 1.8%, 0.9%, 0.8% and 0.7%, respectively.

Employment

The unemployment rate declined from 11.6% to 11.0% with the labour force increasing by 2.1% to 110,786 while the employed labour force rose by 2.8% to 98,589. The largest job growth was in the tertiary sector, which contrasted with neglible job creation in the primary and secondary sectors.

In the primary sector, modest employment gains in sugar and domestic agriculture were partly offset by lower employment in the citrus and banana export industries. Unlike previous years, there was only one major citrus crop and the timing of the labour survey in April coincided with the winding down of this harvest. In the case of banana, the job loss directly reflected the contraction in crop yields. Notwithstanding the negligible job gains, agriculture maintained its position as the largest source of employment, accommodating some 18.9% of the employed labour force.

Within the secondary sector, job growth in utilities and construction was nearly fully offset by a decline in manufacturing jobs. Job losses in the latter were concentrated in beverages and food product manufacturing and was likely attributed to the fall in the domestic production of key items such as soft drinks and beer.

With a 16.3% increase in workers, tourism was the main catalyst for job creation in the tertiary sector, holding its position as the fourth largest employer. Employment within the third largest job market, "Community, Social and Personal Services", expanded by 11.5% to 15,084. Employment in government services also rose by 1.5% while jobs in all other service categories declined. While "Wholesale, retail trade and repair" experienced a 1.7% job loss, it still remained the second largest job market with 16.2% of the employed population. Other industries with varying amounts of job losses included financial intermediation, real estate, renting, business activities, transportation and communication.

Between April 2004 to April 2005, the labour force participation rate declined from 60.3% to 59.4%, as the working age population grew faster than the labour force and the job seeking rate declined.

Table III.8: Employed Labour Force by Industrial Group

Industrial Group	2003	2004	2005
Agriculture	17,120	18,157	18,671
Forestry, logging, sawmilling	864	1,010	961
Fishing and fish processing	2,120	2,554	2,330
Mining and Quarrying	360	401	211
Manufacturing	6,724	7,607	7,210
Electricity, gas & water	778	768	934
Construction	7,489	6,595	6,884
Wholesale, retail, repair	14,716	16,227	15,944
Tourism (Hotels & Restaurants)	9,400	11,062	12,865
Transport and Communication	3,298	3,683	3,553
Financial intermediation	1,518	1,939	1,594
Real Estate, renting	1,741	2,123	2,084
General Government Services	10,309	9,885	10,033
Community, Social & Personal Services	10,822	13,531	15,084
Work Abroad*	1,676	157	85
Activities not classified elsewhere	287	212	146
Total, All Sectors	89,222	95,911	98,589

Source: Central Statistical Office

* Covers work abroad and in 2004, workers in commercial free zone as well.

Box 3: Belize's Oil Discovery

For more than three decades, on and offshore exploratory drilling for oil has been conducted by various oil companies in the search for commercial deposits of 'black gold'. Although these efforts were unsuccessful, the presence of commercial oil deposits in the neighbouring countries of Mexico and Guatemala continued to indicate that the prospects for finding oil in Belize were positive.

Recent improvements in seismic technology allow for clearer mapping of the substrata and underground structures that may be potential oil traps and this has been a boon for explorers. Benefiting from the improved underground mapping technology, Belize Natural Energy Limited (BNE) tapped into an oil deposit in the Spanish Lookout area in June of 2005 that yielded a promising flow of very high quality crude oil – also known in the industry as 'sweet crude'. Another well was dug approximately one mile away from the first site. By year-end, each well was yielding an average of 900 barrels per day, which can be compared to a crude estimate of domestic consumption of approximately 5000 barrels a day, excluding demands for electrical power generation.

The Geology and Mining Department has since granted approval for the company to dig a total of 5 wells to speed up the production testing of the find. The third well is to be dug in January and production testing commence in February. The plan is to complete the remaining two wells by the end of March, 2006 and production testing by the end of the year. In the interim while production testing is ongoing, the high quality of the oil has enabled the company to market the oil produced to domestic and foreign buyers. The first export shipment of over 30,000 barrels is scheduled to take place nearing the end of January, 2006. It is anticipated that the company may be able to regularize shipments during the production testing phase to one per month.

With a new oil discovery, the standard practice is to initiate production testing where factors such as the oil's flow rate and pressure are measured and recorded for a period of at least 90 consecutive days. This is important since the oil flow usually stabilises at a lower rate than the initial find and thereafter declines as reserves are depleted. After the production testing phase, various wells are dug in an attempt to delineate the perimeter of the oil field. During this phase, a three-dimensional model of the structure is mapped so that an estimate of the size of the oil reservoir can be made. Once the latter is completed, the last phase in the commercialization of the oil find involves development and production. Even in countries where the infrastructure to support the industry is already in place, the process from oil discovery to commercialization of the find is lengthy and risky with a thirty-month period for the entire process considered to be a fairly reasonable time horizon.

The financial viability of the oil find will depend on factors such as the level of sustainable oil flow, the total amount of oil reserves and recoverable quantities, the costs required to extract the oil, especially as flow rates decline over time and the cost of building the necessary infrastructure to support a new industry.

Under the present revenue sharing arrangements, royalties calculated on the gross value of oil production should be paid at the rates of 7.125% to the Government and 0.375% to the landowner. A production sharing agreement, once the find is commercialized, also allows for the company's operating cost (expressed in equivalent barrels of oil) to be subtracted from gross production. Of this net production, the government receives 1.5%, and the company keeps the remaining 98.5%.

Some patience, prudence and much hard work are needed while the oil find is properly evaluated. Should the optimistic scenario unfold, the Government will then be challenged to ensure that the interests of the country and private investors are well balanced.

Money Supply

Fiscal tightening was supported by a restrictive monetary policy aimed at reducing the rate of expansion in credit and concomittant demand for imports during the year. In May, the Central Bank ordered a further 1.0% increase in commercial bank cash and liquid asset reserve requirements as well as the removal of long-term loans to the government from the list of approved liquid assets. The agreement of the Belize Social Security Board (BSSB) was also obtained to begin sterilizing its monthly cash inflows by shifting a portion of these deposits to an account held with the Central Bank. Growth in broad money consequently slowed from 13.3% in 2004 to 6.5% in 2005 with the impact of credit deceleration being somewhat tempered by foreign inflows to the government from successful international bond placements and other foreign loan disbursements that contributed to a 56.6% expansion in net foreign assets in the banking system.

Growth in narrow money (M1) slowed from 12.6% to 4.0% with public currency holdings and demand deposits rising by 1.9% and 4.8%, respectively. The upward movement in demand deposits reflected additional holdings by the BSSB and a $9.2mn increase in foreign currency deposits held by residents. Quasi-money increased by 7.8% with deposits held by individuals driving up savings deposits by 5.4% while time deposits rose by 8.6%. The bulk of the increase occurred during the first and second quarters and largely reflected increased holdings by individuals and business enterprises engaged in providing services and producing for the export market.

Table IV.1: Factors Responsible for Money Supply Movements

$mn

	Position as at			Changes During 2005
	Dec 2003	Dec 2004	Dec 2005	
Net Foreign Assets	**133.3**	**85.1**	**133.3**	**48.0**
Central Bank	163.4	103.7	139.9	36.1
Commercial Bank	-30.1	-18.6	-6.6	11.9
Net Domestic Credit	**1,133.3**	**1,353.5**	**1,410.4**	**56.7**
Central Government (Net)	92.3	175.4	145.8	-29.6
Other Public Sector	22.9	46.9	61.3	14.3
Private Sector	1,018.1	1,131.2	1,203.3	72.0
Central Bank Foreign Liabilities (Long-term)	**7.5**	**2.5**	**0.0**	**-2.5**
Other Items (net)	**158.0**	**187.8**	**213.8**	**25.5**
Money Supply M2	**1,101.1**	**1,248.3**	**1,329.9**	**81.7**

Chart IV.1: Ratio of M2 to GDP

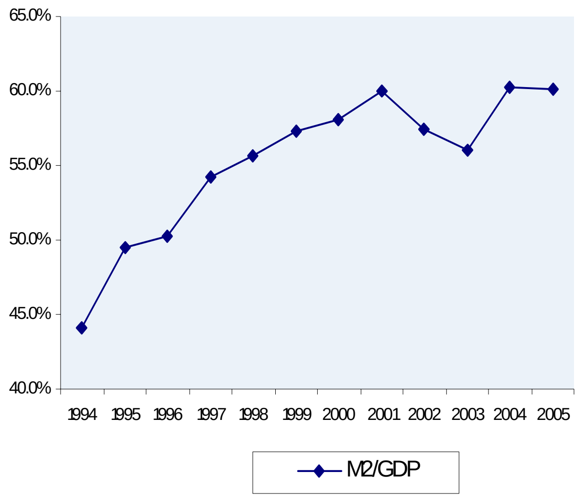
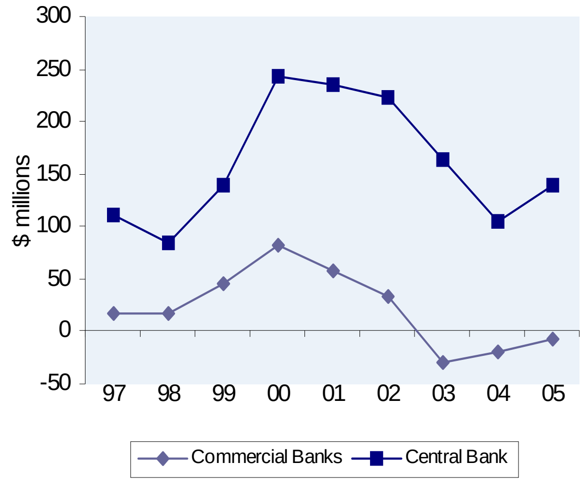


Chart IV.2: Annual Change in Net Foreign Assets of the Banking System



Net Foreign Assets

Even with a substantial increase in external debt payments, the net foreign assets of the banking system rose by $48.0mn as loan inflows to the government and proceeds from the sale of its Belize Telecommunications Ltd. (BTL) shares coincided with higher private sector receipts from tourism and domestic exports such as citrus.

The Central Bank's foreign asset holdings expanded by $36.0mn reflecting inflows of $590.6mn and outflows that totalled $564.6mn. Various loan disbursements (including proceeds from two Bear Stearns bond issues) accounted for 60.8% of total inflows. Proceeds from the sale of BTL shares contributed an additional 14.2% and 11.3% came from sugar export earnings. The balance was made up of purchases

Table IV.2: Money Supply

$mn

	Position as at			Changes During 2005
	Dec 2003	Dec 2004	Dec 2005	
Money Supply (M2)	**1,101.1**	**1,248.3**	**1,329.9**	**81.7**
Money Supply (M1)	**361.1**	**406.7**	**423.1**	**16.4**
Currency with the Public	103.3	115.3	117.5	2.2
Demand Deposits	257.8	291.4	305.6	14.2
Quasi-Money	**740.0**	**841.6**	**906.8**	**65.3**
Savings Deposits	205.5	198.3	208.5	10.2
* Time Deposits	534.5	643.3	698.3	55.1

*Includes Non-Residents Foreign Currency Time Deposits of $ 36.1mn

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

$mn

	Position as at			Changes During 2005
	Dec 2003	Dec 2004	Dec 2005	
Net Foreign Assets	**133.3**	**85.1**	**133.3**	**48.0**
Central Bank	**163.4**	**103.7**	**139.9**	**36.1**
Foreign Assets	169.2	106.5	142.6	36.0
Foreign Liabilities(Demand)	5.8	2.8	2.7	-0.1
Commercial Banks	**-30.1**	**-18.6**	**-6.6**	**11.9**
Foreign Assets	118.7	129.3	147.6	18.3
Foreign Liab. (Short-Term) *	148.8	147.9	154.2	6.4

* Does not include Non-resident Foreign Currency Time Deposits of $36.1mn held with Commercial Banks.

from the commercial banks, foreign grants to the government, revaluation gains and interest earnings. Outflows continued to be dominated by sales to the public sector, which rose by 73.6% to some $506.2mn to facilitate refinancing of the external debt and other external payments. On the other hand, sales to the commercial banks fell by 65.1% and the amount designated for BEL debt servicing and fuel purchases also declined significantly (from $28.3mn to $8.7mn) as the commercial banks increasingly earmarked funds for this purpose.

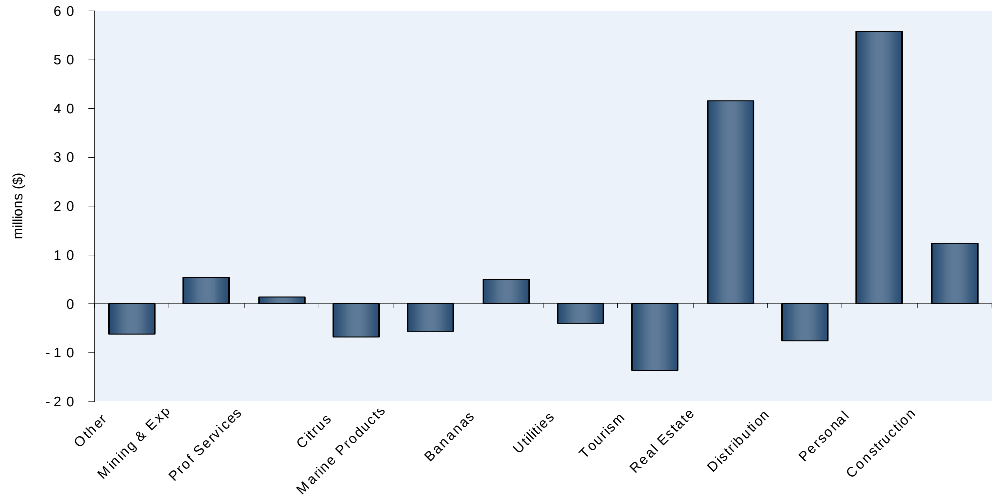
Notwithstanding a substantial rise in net trade related outflows, the commercial banks' net foreign asset position improved for the second consecutive year. Foreign asset holdings rose by $18.3mn due to higher inflows from citrus and tourism,

Table IV.4: Net Domestic Credit

$mn

	Position as at			Changes During 2005
	Dec 2003	Dec 2004	Dec 2005	
Total Credit to Central Government	**220.6**	**246.9**	**249.2**	**2.3**
From Central Bank	165.5	165.3	181.8	16.5
From Commercial Banks	55.1	81.6	67.4	-14.2
Less Central Government Deposits	129.8	71.5	103.4	31.9
Net Credit to Central Government	**90.8**	**175.4**	**145.8**	**-29.6**
Plus Credit to Other Public Sector	**21.1**	**46.9**	**61.3**	**14.3**
Plus Credit to the Private Sector	**1,018.1**	**1,131.2**	**1,203.3**	**72.0**
Net Domestic Credit of the Banking System	**1,130.0**	**1,353.5**	**1,410.4**	**56.7**

Chart IV.3: Annual Change in Commercial Bank Loan Distribution



and entities within the Corozal Free Zone, as well as increases in borrowings from foreign banks and IBC demand deposits. Short-term foreign liabilities rose by $6.4mn (4.3%) reflecting the aforementioned rise in foreign borrowings and IBC deposit holdings.

Net Domestic Credit

A tighter monetary policy and increased loan disbursements from abroad paved the way for a deceleration in the growth of net domestic credit from 19.7% in the previous year to 4.2%. While credit to the private sector increased by 6.4% as compared to 11.1% in 2004, net credit to Central Government contracted by $29.6mn as some of the proceeds from the Bear Stearns bond issue in March were deposited in accounts held with the Central Bank and the commercial banks. A $14.4mn increase in credit to the statutory bodies was largely a reflection of loan reclassifications following the Government's reacquisition of BWSL from Cascal. Meanwhile, a tightening in liquidity in the second half of the year pushed the commercial banks to reduce their holdings of Treasury Bills and Notes by a total of $10.0mn in secondary market transactions.

Over 90.0% of the increase in private sector loans occurred during the second and third quarters and the bulk consisted of personal loans, which rose by 31.4% ($61.9mn) during the twelve month period. The shift in loan distribution also reflected a decision by the banks to reclassify loans amounting to some $24.0mn from construction and tourism to the real-estate sub-sector. Meanwhile, financing for productive activity in the primary sector contracted by $3.4mn with net repayments by marine and agriculture producers outweighing increases for entities involved in mining & exploration.

Liquidity

After a first quarter upward surge that was partly linked to the rise in exports earnings, bank liquidity tightened as the commercial banks took advantage of the inflows and boosted loans to

Chart IV.4 : Quarterly Change in Excess Liquidity

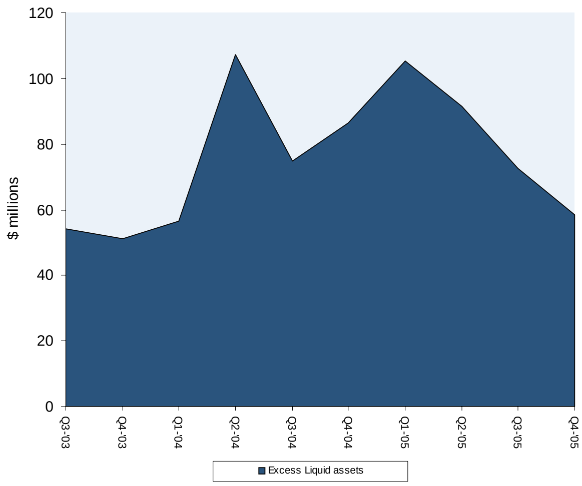
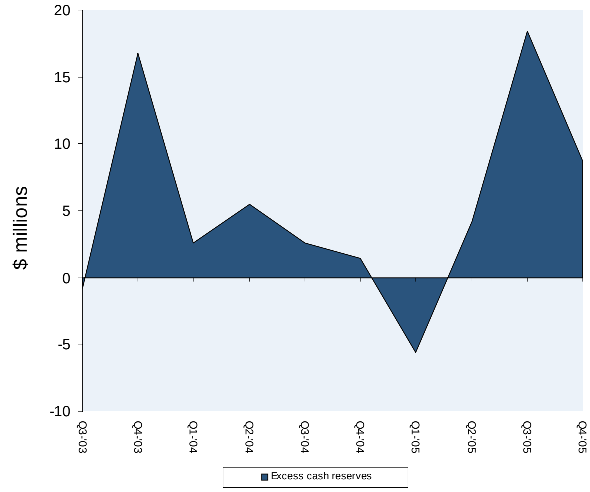


Chart IV.5 : Quarterly Change in Excess Cash Reserves



the private sector in the second and third quarters. An increase in the liquid asset and cash reserve ratios (effective May 1, 2005) from 20.0% to 21.0% and 7.0% to 8.0%, respectively, the removal of long-term loans from the list of approved liquid assets, and sterilization of Social Security Board monthly inflows also contributed to the general contraction. Hence, following its strong growth in 2004, excess statutory liquidity contracted by 32.3% ($27.9mn) to $58.4mn at yearend with holdings of approved liquid assets rising by $5.8mn relative to a $33.7mn increase in required holdings. Primary liquidity experienced a significant increase during the year largely due to the substantial balances being held by one of the commercial banks. At year-end, excess cash reserves stood at $8.7mn reflecting increases in commercial banks daily average holdings of cash

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

$mn

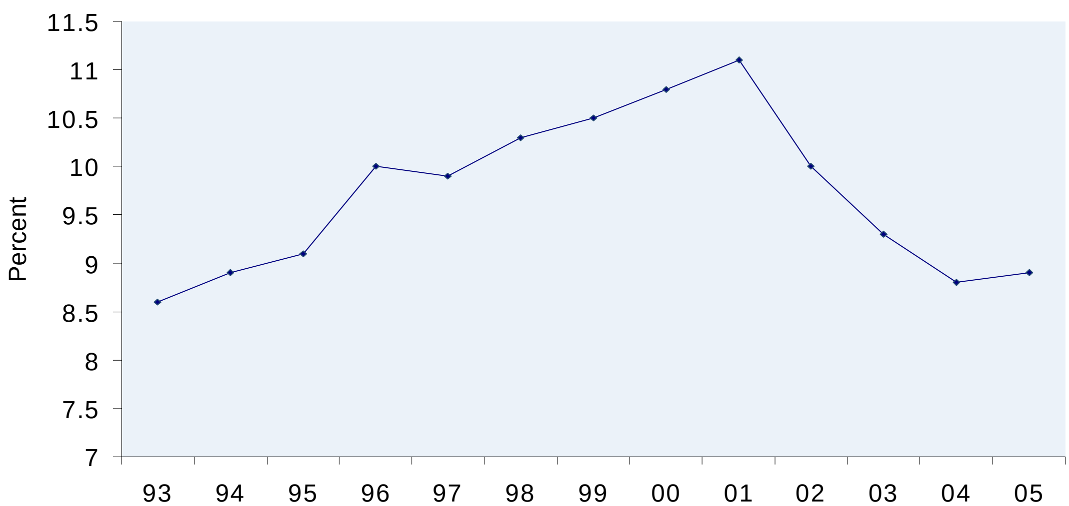
	Position as at			Changes During
	Dec 2003	Dec 2004	Dec 2005	2005
Holdings of Approved Liquid Assets	**303.3**	**324.2**	**330.0**	**5.8**
Notes and Coins	29.8	33.7	35.6	1.9
Balances with Central Bank	79.6	81.7	111.8	30.1
Money at Call and Foreign Balances (due 90 days)	74.0	102.9	120.0	17.1
Treasury Bills maturing in not more than 90 days	19.8	25.9	22.8	-3.1
Other Approved assets	100.1	80.0	39.8	-40.2
Required Liquid Assets	**252.2**	**237.9**	**271.6**	**33.7**
Excess/(Deficiency) Liquid Assets	**51.1**	**86.3**	**58.4**	**-27.9**
Daily Average holdings of Cash Reserves	79.9	84.7	112.2	27.4
Required Cash Reserves	63.1	83.3	103.5	20.2
Excess/(Deficiency) Cash Reserves	**16.8**	**1.4**	**8.7**	**7.2**

reserves of $27.4mn while required cash reserves rose by $20.2mn.

Interest Rates

The three-year downward trend in the weighted average interest rate spread of the commercial banks came to an end during the year with the spread rising by 10 basis points to 8.9% in conditions of tightening liquidity. Rates on all loan categories rose, pushing up the weighted average lending rate by 30 basis points. Higher cash reserve requirements combined with lending increases also ensured continued upward pressure on deposits that led to a 20 basis points increase in the weighted average deposit rate at year-end.

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



Central Government Operations

The overall fiscal deficit widened to $141.9mn (6.4% of GDP) in the 2005 calendar year largely due to a 40.1% growth in interest and other debt related payments. While expenditure rose by 3.8%, revenues were up by only 1.6% notwithstanding a strong upward boost to current revenue from the increase in taxes since the latter was largely offset by a 66.8% contraction in capital revenue, grants and other receipts. The primary balance did improve however, swinging from a small deficit in 2004 to a surplus of $28.3mn (1.3% of GDP). While smaller than hoped for, the latter was an indicator of improved fiscal performance and represented the necessary preliminary step along the road to an eventual reduction in the debt ratio. Financing for the fiscal deficit came from external sources with two successful Bear Stearns bond issues and privatization proceeds.

Current revenue continued to grow strongly, posting a 10.6% increase to $511.4mn (23.1% of GDP) with tax and non-tax revenues rising by 9.2% and 25.1%, respectively. Increases in the business tax rate structure delivered the largest growth of $20.6mn in revenues from *"Income and Profits"*. This was followed by a $12.9mn increase in taxes on goods & services, which was largely attributed to higher collections of sales tax during the year. The

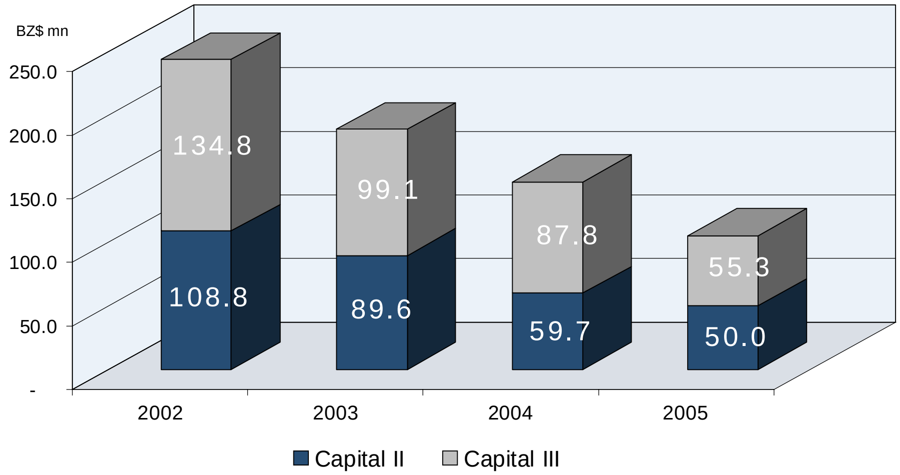
Table V.1: Government of Belize - Revenue and Expenditure

$mn

	Jan-Dec 2003	Jan-Dec 2004	Jan-Dec 2005	Change during 2005
Current Revenue	422.2	462.0	511.4	49.4
Tax Revenue	370.2	419.3	458.0	38.7
Non-Tax Revenue	52.0	42.7	53.4	10.7
Current Expenditure	393.0	468.0	556.2	88.2
CURRENT BALANCE	**29.1**	**-6.0**	**-44.7**	**-38.8**
Capital Revenue	24.8	26.5	6.4	-20.1
Capital Expenditure (Capital II local sources)	89.6	59.7	50.0	-9.6
OPERATING SURPLUS	**-35.7**	**-39.2**	**-88.4**	**-49.2**
Total Grants	6.4	35.2	14.1	-21.1
Total Revenue and Grants	453.4	523.6	531.9	8.3
Total Capital Expenditure	276.4	180.9	117.6	-63.3
of which Hurricane Reconstruction	2.5	0.0	0.0	0.0
Total Expenditure	669.4	648.9	673.8	24.9
of which Interest Payment on Public Debt	77.4	121.5	170.3	48.8
PRIMARY BALANCE	**-138.6**	**-3.8**	**28.3**	**32.1**
OVERALL BALANCE	**-216.0**	**-125.3**	**-141.9**	**-16.7**
FINANCING	317.6	135.3	97.5	-37.7
Domestic Financing	-62.4	-39.4	-24.1	15.2
Financing Abroad	380.7	174.9	122.1	-52.8
Other	-0.7	-0.3	-0.4	-0.2
Ratio of Overall Balance to GDP (%)	**-11.0**	**-6.0**	**-6.4**	**-0.4**
Ratio of Primary Balance to GDP (%)	**-7.1**	**-0.2**	**1.3**	**1.5**

Sources: Central Bank of Belize, Ministry of Finance

Chart V.1: Central Government's Development Expenditure



expansion in non-tax revenue was due to receipts from BSSB's repayment of loans under the mortgage securitization programme, transfers from other government departments, licenses, and property income. Capital revenue, mostly derived from the sale of crown lands, was \$6.4mn, compared to \$26.5mn in 2004, while grant and debt service receipts more than halved to \$18.5mn.

At \$556.2mn, current expenditure was 18.8% higher year on year with all major categories showing increases. The sharpest growth was in interest and other public debt related payments, which rose by 40.1% to \$170.3mn (7.7% of GDP). Outlays for goods and services were up 19.6% partly due to the effort to improve reporting accuracy by reclassifiying some items hitherto reported as capital expenditure. Salaries and pensions rose by 6.4%, pushed up by the partial payment of previously negotiated salary increases to civil servants. The net effect of the various increases was an almost ninefold rise in the current deficit to \$44.7mn.

With capital expenditures being sharply curtailed in an effort to reduce the fiscal deficit to a more manageable level, overall capital/net lending outlays plunged by 35.0% to \$117.6mn (5.3% of GDP) with Capital III expenditures showing the sharpest decline. Some 31.8% was assigned to infrastructural projects such as land development, streets and drains, construction of bridges, the road between Mussel Creek and Willows Bank and the rehabilitation of highways and feeder roads. Another 22.3% of capital expenditure was on educational projects that included the University of Belize, tertiary level scholarships and technical/vocational training. Other allocations were made to a medley of projects such as the National Institute of Cultural Heritage, printing services, the Basic Needs Trust Fund, the US debt for nature swap, area constituency projects, BAHA, hurricane preparedness, the Commonwealth Debt Initiative and prison custodial services.

The fiscal deficit was funded from external sources and privatization proceeds that enabled a build up

Box 4: Central Government Tax Measures in 2005

	From	To
Income & Business Tax (Amendment)		
Act 6, dated 27/01/05, effective 01/02/05		
▪ Trade & other business taxes (Except for radio, television, and newspaper)	0.7%, 1.25%, and 1.5%	1.75%
▪ Business tax on professional	4%	6%
▪ Business tax on banks (BFIA)	10%	15%
PIC group of companies	4%	8%
▪ Business tax on realtors agents (commissions)	4%	15%
▪ Business tax on casino earnings	4%	15%
Act 14, dated 01/04/05, effective 01/03/05		
▪ Service stations fuel receipts	1.75%	0.75%
Environmental Tax (Amendment)		
Act 9, dated 27/01/05, effective 01/02/05		
▪ Vehicle over 4 cylinders	2%	5%
▪ Environmental tax	1%	3%
Act 17, dated 01/04/05, effective 01/03/05		
▪ Environmental tax	3%	2%
Custom & Excise Duties (Amendment)		
Act 5, dated 27/01/05, effective 01/02/05. 1/7/05		
▪ Rum (any strength or proof)	$30/gal	$60/gal
▪ Tobacco (cigarettes)	$4/ctn	$12/ctn
▪ Aerated Water (not exceeding 12 oz)	$0.0325	$0.0650
Aerated Water (exceeding 12oz)	$0.0408	$0.0816
Act 19, dated 24/06/05, effective 01/07/05		
Excise Tax		
▪ Rum (any strength or proof)	$60/gal	$90/gal
▪ Tobacco (cigarettes)	$12/ctn	$18/ctn
▪ Aerated Water (exceeding 33.8floz)	$0.0816	$0.1632
Brewery (Amendment) (No 2)		
Act 8, dated 27/01/05, effective 01/02/05		
Excise Tax		
▪ Beer	$1.80/gal	$3.60
Act 16, dated 01/04/05, effective 01/03/05		
▪ Beer	$3.60/gal	$6/gal
Act 18, dated 24/06/05, effective 01/07/05		
▪ Beer	$6/gal	$4/gal

Table V.2: Central Government's Domestic Debt

$mn

Instrument	2003	2004	2005
Loans & Advances	117.4	139.6	140.5
Treasury Bills	100.0	100.0	100.0
Treasury Notes	24.0	24.0	24.0
Defence Bonds	15.0	15.0	15.0
Total	**256.4**	**278.6**	**279.5**

Sources: Ministry of Finance, Central Bank of Belize

of Central Government deposits in the domestic banking system. External financing amounted to $122.1mn, with loan disbursements of $427.9mn outweighing amortization payments of $295.8mn.

Central Government's Domestic Debt

Central Government's domestic debt increased marginally by 0.3% to $279.5mn (12.7% of GDP), as amortization payments of $4.3mn almost offset a net $4.3mn rise in overdraft credit plus $0.8mn in commercial bank loan disbursements.

The largest principal payments were to the Belize Bank ($2.5mn) and to the GOB/US debt for nature swap account ($1.2mn). Smaller payments went to the DFC, BSSB, Guardian Life and Atlantic Bank.

In secondary trading, the commercial banks sold $1.0mn in Treasury Bills as well as $9.0mn worth of Treasury notes to the Central Bank and other institutions.

Of the $18.8mn in interest payments, some $8.9mn was paid to the Central Bank as the cost of providing overdraft financing to the Government. A total of $6.3mn was made on securities such as Treasury Bills, Treasury Notes and Defence Bonds. An interest payment of $0.6mn went to the DFC while the Belize Bank received $2.5mn on its loans for housing and infrastructure development. An additional $0.3mn was paid to the GOB/US debt for nature swap.

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

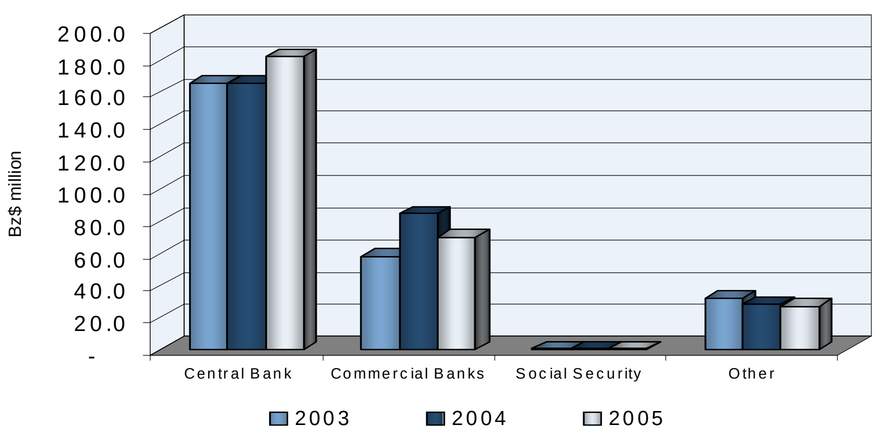


Table V.3: Public Sector External Debt by Source

$mn

	Outstanding Debt 31/12/2004	Disbursement	Amortization	Interest & Other Charges	Valuation Adjustments	Outstanding Debt 31/12/2005
Bilateral	259.7	62.0	21.9	12.5	-0.9	299.0
Multilateral	379.2	26.7	21.4	15.2	-4.0	415.4
Bonds	932.6	285.7	239.8	93.9	0.0	978.5
Commercial Banks	123.6	53.4	20.8	12.3	0.0	167.1
Suppliers Credit	6.2	0.0	3.1	0.6	0.0	5.1
Total	1,701.3	427.9	307.0	134.4	-4.8	1,865.1

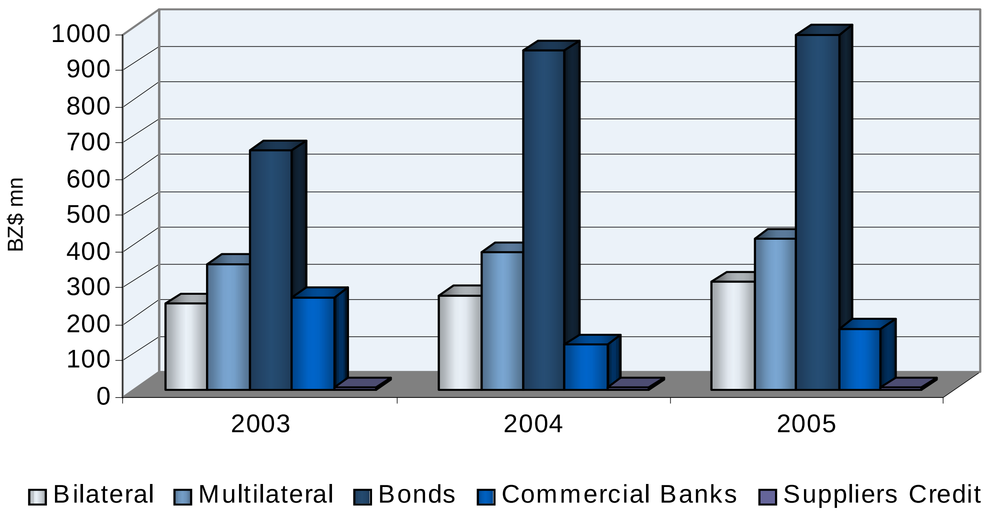
External Public Sector Debt

The public sector's external debt rose by 9.6% to $1,865.1mn (84.4% of GDP) with all new disbursements going to Central Government. These amounted to $427.9mn, a substantial part of which was raised on the international bond market. With the repurchase of the water utility company in October, the debt of the non-financial public sector expanded by $36.4mn. Principal payments totalled $307.0mn and included a programmed bullet payment as well as the payoff of investors that chose an early put option. The preceding caused external debt service payments to rise to $441.4mn and the debt service ratio to increase from 16.3% in 2004 to 35.6%.

At $285.7mn, bonds (including two by Bear Stearns for $273.4mn) accounted for 66.8% of total disbursements. The funds raised on the international markets were earmarked for balance of payment support and refinancing of debt obligations. Bilateral creditors, namely ROC/Taiwan, disbursed $62.0mn for budgetary support and to facilitate the partial payment for the buy back of Belize Water and Sewerage Limited (BWSL). Included in the $53.4mn received from commercial creditors were promissory notes of $19.8mn for the repurchase of BWSL shares and $12.3mn for infrastructure work done by Johnston International. Disbursements from multilateral creditors totalled $26.7mn with the largest inflow coming from CDB ($18.3mn) to finance projects such as technical and vocational education, health sector reform, southern highway rehabilitation, disaster management, and the Orange Walk By-pass. The IDB also provided $6.2mn for hurricane rehabilitation, land management, and tourism development projects.

Central Government's amortisation payments totalled $295.8mn with 78.1% of these payments going to note/bond holders. The latter included $157.9mn paid to CMFS noteholders who exercised an early put option on notes that were issued under a debt reprofiling package in 2004. Another $58.2mn went to Salomon Smith Barney upon maturation of bonds that were issued in 2005. Other principal payments consisted of $20.8mn to bilateral creditors, $16.7mn to multilateral agents, $16.5mn to commercial banks and $2.0mn to commercial suppliers. The financial public sector made total payments of $8.4mn, some $4.3mn of which, went to multilateral agents, followed by commercial

Chart V.3: Sources of Public Sector External Debt



creditors with $3.7mn and the balance of $0.4mn to bilateral agents. Amortization payments by the non-financial public sector summed to $2.8mn, which was shared among a commercial bank, the Government of Kuwait and CDB.

Interest and other payments amounted to $134.4mn with Central Government accounting for 97.4% ($130.9mn) of the total. The latter's payments to bond holders (Bear Stearns, Royal Merchant Bank, CMFS and Citicorp Merchant Bank) summed to $93.8mn. Bilateral and multilateral creditors received $12.1mn and $12.7mn, respectively. Interest payments by the financial public sector consisted mainly of $0.2mn to creditor suppliers, and $2.1mn to multilateral agents. Interest paid by the non-financial public sector totalled $1.1mn divided among the government of Kuwait, a commercial bank and CDB.

The debt stock was lowered by $4.8mn reflecting the net effect of valuation adjustments derived from the depreciation of the euro and sterling against the US dollar, and the appreciation of the dinar. Euro and sterling-denominated loans were adjusted downward by $3.9mn and $1.2mn, respectively, and Kuwait dinar-denominated loans was adjusted upwards by $0.3mn.

Box 5: Public Sector and Publicly Guaranteed Debt

At the end of 2005, public and publicly guaranteed debt amounted to $2,315.0mn (104.8% of GDP) with domestic debt liabilities accounting for 12.6% of the total. The external debt, excluding contingent liabilities of $170.4mn, stood at $2,043.1mn (92.5% of GDP). Contingent liabilities were equivalent to 7.7% of GDP and consisted of $66.2mn in mortgage securitization liabilities of the Development Finance Corporation (DFC) and $104.2mn in guaranteed debt for privatized and private enterprises. With most of the guarantees obtained prior to their privatization, privatized enterprises accounted for almost half of the guaranteed debt with the largest guarantees given to the Belize Electricity Limited (BEL) on loans to implement a national electricity grid and to entities associated with acquisition and improvement of the Belize port.

While it appears that the stock of publicly guaranteed external debt declined by 36.9% in 2004 and by a further 29.4% in 2005, much of these reductions was tied to an increase in Government's direct debt obligations. In 2004, Government prepaid the RMB Securitization with proceeds from a RBTT US$76.0mn bond that contributed to the 12.9% increase in the public sector debt to $1.7bn. In 2005, the re-nationalization of Belize Water Services Ltd changed its loan status from a contingent liability to a direct Government debt. The latter increased by some $86.1mn that included the previously guaranteed debt and the company's purchase cost. The publicly guaranteed debt has also decreased, to a far lesser extent, with amortization payments from the enterprises themselves, such as the US$8.0mn repayment on the Belize port loans in 2005.

	2003	2004	2005
(in millions of BZ dollars)			
Public Sector & Publicly Guaranteed Debt Outstanding (end of period)	**2145.9**	**2221.1**	**2315.0**
Public Sector Debt	**1763.5**	**1979.9**	**2144.6**
Central Government	1672.5	1902.9	2043.1
External	1416.1	1624.3	1763.6
Domestic	256.4	278.6	279.5
Non-Financial Public Sector	14.3	12.1	46.3
Financial Public Sector	76.7	64.9	55.2
Publicly Guaranteed Debt	**382.4**	**241.2**	**170.4**
Debt for Privatized Enterprises	110.8	139.4	77.9
Belize Water Service	43.6	39.1	0.0
Belize Electricity Ltd	45.6	39.1	34.9
Belize Port	21.6	61.2	43.0
Private Enterprises	0.0	28.4	26.3
Securitization proceeds	271.6	73.4	66.2
(in percent of GDP)			
Public Sector & Publicly Guaranteed Debt Outstanding (end of period)	**108.6**	**105.2**	**104.8**
Public Sector Debt	**89.3**	**93.8**	**97.0**
Central Government	84.7	90.2	92.5
External	71.7	77.0	79.8
Domestic	13.0	13.2	12.6
Non-Financial Public Sector	0.7	0.6	2.1
Financial public Sector	3.9	3.1	2.5
Publicly Guaranteed Debt	**19.4**	**11.4**	**7.7**
Debt for Privatized Enterprises	5.6	6.6	3.5
Belize Water Service	2.2	1.9	0.0
Belize Electricity Ltd	2.3	1.9	1.6
Belize Port	1.1	2.9	1.9
Private Enterprises	0.0	1.3	1.2
Securitization proceeds	13.8	3.5	3.0

Sources: Central Bank of Belize, Ministry of Finance

Higher tourism earnings, lower outflows for profits and seasonal workers and increased inflows of remittances to individuals and various organizations only partly compensated for a 36.3% expansion in the trade deficit during the year. The external current account deficit consequently grew by 1.2% to $303.2mn though its ratio to GDP declined from 14.2% to 13.7%. The gap was financed by net financial inflows of $314.7mn that were derived mostly from foreign investments - primarily in tourism, electricity, communications and oil exploration – and government borrowings that included two Bear Stearns bonds. The latter accounted for a $36.0mn increase in gross official reserves to $142.6mn, the equivalent of 1.6 months of imports.

Merchandise Trade

With imports significantly outpacing exports, the merchandise trade deficit widened to $475.7mn (21.5% of GDP). Gross imports rose by 15.7% to $1.1bn as imports for domestic consumption and the CFZ increased by 15.4% and 17.4%, respectively. Slightly more than half of the increase in imports for the domestic market was due to the higher acquisition cost of petroleum products and inputs for export processing zones. CFZ imports expanded with an increase in cross border trade and a seeming build-up of inventory. At $636.7mn, total exports was 4.0% higher than the previous year as domestic exports, CFZ sales and other re-exports all registered modest increases.

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

$mn

	2003 Net	2004 Net	2005 Net
CURRENT ACCOUNT	**-352.8**	**-299.7**	**-303.2**
Merchandise Trade	-413.7	-349.1	-475.7
Services*	139.4	173.5	282.9
Income	-170.3	-227.0	-222.4
Current Transfers	91.7	102.9	112.1
CAPITAL ACCOUNT	**3.0**	**8.5**	**2.2**
FINANCIAL ACCOUNT	**346.0**	**211.9**	**312.5**
NET ERRORS & OMMISSIONS	-56.4	16.7	24.5
OVERALL BALANCE	-60.1	-62.7	36.0
FINANCING	60.1	62.7	-36.0
Memo Items			
Import cover in months	**2.1**	**1.4**	**1.6**
Current Account/GDP Ratio (%)	**17.9**	**14.2**	**13.7**

*Tourism earnings in 2005 was measured using actual inflows into the banking system in comparison to the previous years that are based on the revised 2000 VEMS survey

Table VI.2: Balance of Payments - MerchandiseTrade

$mn

	2003	2004	2005	Change
Goods Exports, f.o.b.	**631.0**	**612.3**	**636.7**	**4.0%**
of which: Domestic Exports	359.7	372.9	384.1	3.0%
CFZ sales	236.8	218.9	227.4	3.9%
Other Re-exports	34.6	20.5	25.2	22.9%
Goods Imports, f.o.b.	**1,044.7**	**961.4**	**1,112.4**	**15.7%**
of which: Free Circulating Area	877.7	818.9	945.1	15.4%
CFZ*	167.0	142.5	167.3	17.4%
Merchandise Trade Balance	**-413.7**	**-349.1**	**-475.7**	**36.3%**

*This CFZ item excludes fuel and goods imported from the domestic teritory.

Domestic Exports

Despite price and volume declines in key export commodities, the strong performance of citrus products helped to push the value of domestic exports up by 0.9% to $411.9mn.

Except for citrus and papaya, revenues decreased for the major domestic exports in 2005. Sugar receipts contracted as a decline in export volume outweighed a small appreciation in the EU price and earnings from banana declined marginally as lower export volume was mitigated by a small price improvement. With a sharp decline in average prices outweighing a modest increase in export volume, shrimp revenues plummeted, pulling down earnings from marine products. A volume contraction reduced garment revenues while a restriction on the export of mahogany led to a contraction in earnings from sawn wood.

On the upside, the value of citrus shipments skyrocketed with a surge in output fortuitously coinciding with strong price rallies for citrus products, particularly grapefruit. Gains in export revenues were also experienced by papaya as sale volumes increased and a price increase pushed up molasses earnings. Volume and price improvements also boosted revenues from citrus oils, beans, fresh orange, pepper sauce and other miscellaneous non-traditional exports.

Chart VI.1: Foreign Reserve Coverage of Merchandise Imports

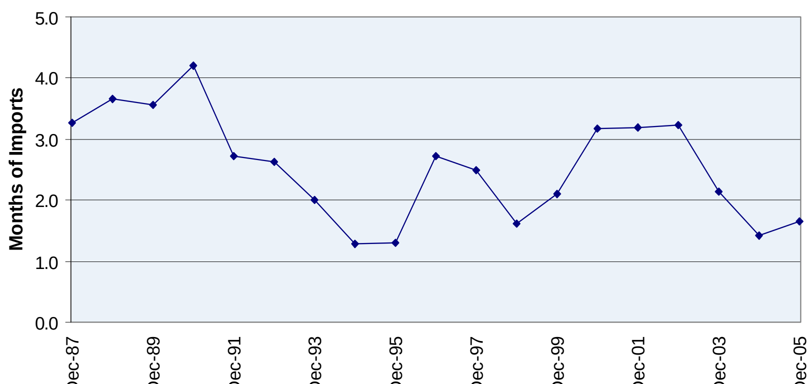


Table VI.3: Domestic Exports

$mn

	2003	2004	2005
Traditional Exports	**367.6**	**388.1**	**378.8**
Sugar	71.2	79.7	69.9
Citrus Juices*	79.9	83.3	107.8
Citrus Concentrate	*78.0*	*79.3*	*107.0*
Not-from-Concentrate	*1.9*	*4.0*	*0.8*
Molasses*	2.5	1.8	2.8
Bananas	52.6	53.0	51.1
Marine	110.2	107.4	83.9
Garments	30.9	37.1	33.9
Sawn Wood	3.5	3.0	2.6
Papayas	16.8	22.8	26.8
Non-traditional Exports	**13.8**	**20.2**	**33.0**
Total Exports	**381.4**	**408.3**	**411.9**

Source: Central Statistical Office

* Value of export shipments and not sales. The number used in the balance of payments table is adjusted to reflect actual sales.

Sugar and Molasses

Lower output and a reduction in the volume of Protocol sugar led to a 17.7% fall in sugar export volume while earnings fell by 12.3% to $69.9mn. An improvement in the EU price mitigated the negative impact on revenue as prices remained stable in other markets. For the second consecutive year, no sugar was sold to the world market as all 'non-preferential' sugar was readily sold in CARICOM, which has become the second largest market, and other regional niche markets.

The tonnage of EU Protocol sugar was lower because of the pre-delivery of 5,886 long tons in 2004. On the other hand, sales of EU Special Preferential Sugar (SPS) increased by 2,214 long tons with the deferment of the 2004 SPS allocation to 2005. Total exports to the EU consequently declined by 16.8% to 39,928 long tons, while receipts fell by 10.3% to $42.4mn. The revenue decline was ameliorated by the improved Euro to US dollar exchange rate

Table VI.4: Exports of Sugar and Molasses

$mn

	2003		2004		2005	
	Volume	Value	Volume	Value	Volume	Value
Sugar (long tons) *	**98,568**	**71.2**	**107,102**	**79.7**	**88,131**	**69.9**
E.U. (Quota long tons)	46,356	45.1	47,965	47.3	39,928	42.4
USA (Quota long tons)	10,888	9.8	10,917	8.4	11,015	8.4
CARICOM (long tons)	13,645	7.3	46,367	22.7	35,319	17.7
Other (long tons)	27,679	9.1	1,854	1.3	1,869	1.5
Molasses **	**37,753**	**2.8**	**32,706**	**2.6**	**33,336**	**5.5**

Sources: Belize Sugar Industries, CSO

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

Box 6: EU Sugar Reform

On November 24, 2005 the European Agricultural Council agreed on measures to reform the EU sugar regime. The major elements of the reform package of interest to African, Caribbean and Pacific (ACP) countries include:

· A 36.0% price cut over four years on the intervention (minimum guarantee) price for raw sugar beginning on July 1, 2006 as illustrated below:

	Marketing Year				
	05/06	06/07	07/08	08/09	09/10
Reference Price, Raw Sugar **€/MT**	523.7	496.8	496.8	434.1	335.2
Cumulative reduction, %	0%	-5.0%	-5.0%	-17.1%	-36.0%

· Abolition of the intervention system after a four-year phase-out period and the replacement of the intervention price by a reference price.

· The merging of 'A' and 'B' quota into a single production quota.

· Compensation for EU sugar beet farmers at an average of 64.2% based on the final price cut of 36.0%. EU countries that will slash their quota by at least 50.0% may receive an additional coupled payment of 30.0% of the income loss for a maximum of five years.

· Voluntary restructuring scheme lasting 4 years for EU sugar factories, consisting of a payment to encourage factory closure and the renunciation of quota.

· Introduction of a private storage system as a safety net in case the market price falls below the reference price.

· Extension of the sugar quota system, until 2014/15 with no review clause.

· An assistance scheme for ACP countries who traditionally export to the EU is limited to approximately €40 million for 2006. Further long term assistance for the period 2007 to 2013 may be made available.

In 2005, the EU market represented 45.2% of the sugar export volume and accounted for 61.9% of the sugar export revenue for Belize. Belize's sugar quota allocation to the EU under the Protocol arrangement stands at 42,000 metric tons. The effects of the 36.0% price cut, as quantified in the table below, indicate that the industry will suffer a cumulative loss of US$16.0mn over the next four years and an annual loss of US$9.9mn from 2009.

Quota Year	2006/2007*	2007/2008	2008/2009	2009/2010
Protocol Quota (MT)	39,500	42,000	42,000	42,000
Curent Price (Euro)	523.7	523.7	523.7	523.7
Price Cut (cumulative %)	5	5	17.1	36
Revised Price (Euro/MT)	*496.8*	*496.8*	*434.1*	*335.2*
Price Cut (Euro)	26.9	26.9	89.6	188.5
Euro/US$ exchange rate	1.25	1.25	1.25	1.25
gross revenue US$'000		26,082	22,790	17,598
Annual Impact on gross revenue US$'000		-1,412	-4,704	-9,896
Accumulated impact US$'000		-1,412	-6,116	-16,013
Accumulated impact BZ$'000		**-2,825**	**-12,233**	**-32,025**

* No revenue loss assuming protocol quota is delivered before July 1, 2006.

cont'd......

Box 5: EU Sugar Reform (cont'd)

Further losses will stem from the discontinuation of Belize's Special Preferential Sugar (SPS) quota allocation in 2006 due to the Everything But Arms Initiative (EBA). Cumulative revenues over the past five years under the SPS amounted to approximately US$10.9mn. To survive, the industry is developing an adaptation plan, which will include clearly defined and costed projects geared towards improving industry productivity and competitiveness. This plan will provide the basis for requesting EU financial assistance for Belize's adjustment programme. This Strategic Action Plan calls for field improvements such as an increase in sugarcane supply and quality, factory improvements to raise product quality and increase capacity to produce bagged sugar. It also calls for minimum exposure to the volatile world market by redirecting sales to the CARICOM market, reduction of overall unit cost of production and decreases in shipping and handling costs/time. Plans are also afoot to diversify revenue sources through the establishment of a 25 Megawatts Cogeneration facility at the existing sugar factory and to investigate options for alcohol/ethanol production. To mitigate the negative effect of the 36.0% price cut, Belize has already registered a request with the EU to increase its market allocation from the current level of 42,000 tons to 100,000 tons. In summary, the critical issue is whether key reforms and projects can come to fruition in a timely manner during the four year phasing period of the 36.0% price cut.

Sources: European Commission, Press Release IP/05/1473, Nov. 24, 2005. and BSI

obtained on the futures market that boosted the average unit price by 9.1% to US$0.24 per pound.

The US quota was filled at 11,015 long tons valued at $8.4mn representing a 0.9% increase in both volume and value as the average price remained stable at US$0.17 per pound.

The reduction in output caused sales to CARICOM, the residual sugar market, to shrink by 23.8% to 35,319 long tons. Receipts from such sales (mostly of bulk and bagged brown sugar to Trinidad & Tobago and Jamaica) stood at $17.7mn as a modest 2.8% price improvement limited the revenue decline to 22.0%.

Exports to niche, value added markets totalled 1,869 long tons valued at $1.3mn and consisted of bagged sugar to Curacao and Canada.

Exports of molasses increased by 1.9% to 33,336 long tons, while earnings more than doubled to $5.5mn as the tightening of global supplies caused the average price to rise from $80.87 to $165.56 per long ton.

Citrus Juices and Pulp

After an especially challenging 2003/2004 crop year when prices, especially for orange, weakened considerably, the citrus industry performed superlatively as a bumper crop with record high yields fortuitously coincided with a strong price rally for citrus juices in international markets. The industry therefore benefited from a revenue windfall, as citrus juice exports surged by 27.2% to 35.8mn ps, and earnings increased by 64.5% to $77.5mn. With price factors favouring concentrates, the latter accounted for the majority of sale volume

(99.3%), NFC sales being kept to a minimum.

Prices for orange juices were pressured upward during the year in response to Florida's twin, hurricane induced, misfortunes - a reduced crop and the spread of canker disease. Capitalizing on the opportunity, sales of orange concentrate rose by 29.1% to 29.2mn ps, while earnings surged by 65.2% to $54.5mn. The US remained the largest market with sale volume up by 29.3%. With prices improving (from $1.27 per ps to $1.74 per ps), this market yielded the greatest dollar increase of $17.8mn, equivalent to a 77.8% growth in revenues. Higher demand and continued strategic focus on CARICOM pushed up exports of orange concentrate to this market by 17.9%, while revenue increased by 19.2% with a $0.03 increase in the average price to $2.17 per ps. Sales of freeze orange concentrate also strengthened. No orange concentrate was sold to Europe as lower shipping costs and higher prices in the US made the latter the preferred market.

With Florida losing more than half of its grapefruit crop and Cuba suffering major crop losses to hurricane damage, international prices for grapefruit products hit historically high levels. Sales of grapefruit concentrate rose by 22.1% to 6.3mn ps, while receipts out-performed the volume increase, expanding by 71.9% to $22.1mn. Favourable prices and lower freight costs revived sales to the US after a hiatus of several years, and in a reversal from previous years, the US surpassed the EU to emerge as the leading market for grapefruit concentrate. With the highest average price of $3.65 per ps, the US accounted for 44.6% of total grapefruit concentrate exports. In contrast, the volume of sales to Europe fell by 54.9% with value declining by a lesser 38.7% due to an increase in the average

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

	2003	2004	2005
Concentrate ('000 ps)	**26,267**	**27,806**	**35,520**
Orange	21,605	22,643	29,222
Grapefruit	4,662	5,163	6,298
Concentrate value ($mn)	**55.1**	**45.8**	**76.6**
Orange	43.5	33	54.5
Grapefruit	11.6	12.8	22.1
Not-from-concentrate Exports ('000 ps)	**644**	**284**	**227**
Orange	329	67	189
Grapefruit	315	217	38
Not-from-concentrate Value ($mn)	**3.1**	**1.3**	**0.9**
Orange	1.4	0.3	0.7
Grapefruit	1.7	1	0.2
Pulp Export ('000 pounds)	**481**	**332**	**2,548**
Pulp Value ($mn)	**0.3**	**0.2**	**1.6**

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.

price (from $2.26 to $3.07 per ps). Demand also revived in CARICOM to the point where Caribbean grapefruit sales more than doubled. Sales of grapefruit freeze concentrate rallied, increasing by 34.9% in volume and 60.4% in value.

The bullish market for concentrates kept NFC export sales to a minimum of 0.2mn ps (83.1% of which was orange) that was principally aimed at maintaining a toehold in the market.

In line with the strategy to maximize the industry's value added through expanded sales of by-products, pulp exports increased by more than sevenfold in volume to 2.5mn pounds and by more than eightfold in revenue to $1.6mn.

Banana

Unfavourable weather at the start of the year and a decision by growers to cut back on field inputs (taken before the conclusion of the drawn-out marketing negotiations) caused a 6.1% decline in banana export volume to 74,618 metric tons. The decline in revenue was lower(3.8% to $51.0mn) due to an improvement in the final, negotiated average box price and a smaller percentage of second-class fruit in the export mix. Growers received a final box price of $12.40, up 3.9% from the $11.93 earned in 2004. Apart from the price improvement, the industry's net returns was also boosted by other factors such as the considerable reduction in quality penalties, from 12.8¢ per box in 2004 to only 3.4¢ per box this year, and the removal of import license costs for the second consecutive year.

Marine Products

After exceeding $100.0mn in the previous two years, revenues from marine exports fell to $83.8mn largely due to a slump in earnings from farmed shrimp. While exports of the latter grew by 8.5% to 18.4mn pounds, accounting for virtually all of the 8.0% increase in total marine exports, the expansion was partly due to the higher proportion of 'head-on' shrimp - which weighs more but is lower priced than the tail - in the export mix. Hence, notwithstanding the higher volume, shrimp earnings plummeted 28.9% to $60.5mn. Among the factors that contributed to the steep drop in revenues was intense competition from Asia and other global suppliers that have kept shrimp prices depressed. The application of countervailing duties on US imports of frozen warm water shrimp on a number of major shrimp suppliers to the US did not significantly reduce supplies, so the expected

Table VI.6: Exports of Bananas

	2003	2004	2005
Volume (metric tons)	73,016	79,428	76,101
Value ($mn)	52.6	53.0	51.0

Sources: CSO and BGA

Box 7: EU Banana Import Regime

After facing legal challenges to its banana import regime, the European Union has opted to institute a single import tariff on bananas imported from countries enjoying *Most Favoured Nation* (MFN) status. Originally, the EU planned to levy a tariff of •230 per tonne on non-ACP banana but some Latin American producers successfully challenged this under the WTO arbitration rules on the grounds that they would not be able to maintain their share of the EU market if the plan was adopted.

In January, 2006, the EU import regime shifts to a hybrid of the tariff only and quota regimes. The effective tariff rate as of January 1, 2006, falls to •176 per tonne on bananas from MFN countries – a level that is still being disputed as injurious to Latin American producers. The ACP group, of which Belize is a member, will continue to benefit from a duty-free quota that will be slightly higher at 775,000 tonnes per annum but lower than known ACP production capacity.

For January and February of 2006, 160,000 tonnes of duty free banana has been allocated to ACP countries. Another 615,000 tonnes of tariff free quota for ACP countries remains for the period March to December, 2006. Under the new rules, some 76.1% or 468,150 tonnes of the tariff free quota will be made available on a "first come, first served" basis in five tranches of 93,630 tonnes each. A tranche consists of a two-month delivery period. The remaining 146,850 tonnes of the quota will be held by operators who actually imported bananas from ACP countries during 2005. The licenses for these operators will be proportional to the quantities they imported from ACP countries in 2005. If deliveries during a tranche exceed the allowed ACP duty-free quota (as is wont to occur since ACP exports are greater than the quota), then the surplus ACP import volume will be subject to the tariff of •176 per tonne, which is equivalent to an average box cost of US$3.65. Volumes especially at risk of being subjected to the tariff would be imports during the latter part of the two-month delivery period.

High volume ACP producers such as West Africa and the Dominican Republic (DR) stand to gain the most from this new arrangement. Any tariffs payable by these large producers, when averaged across total exports, will work out to a lower average box cost than that for much smaller producers like Belize and the Windward Islands who will have a smaller amount of export boxes over which to split the tariff cost. In addition, West Africa and the DR have lower labour costs and better economies of scale, meaning that, even without the tariff, they already have a distinct cost advantage over a smaller producer like Belize.

For Belize, a shift to delivering only in the early part of the tranche (before the duty-free amounts are exhausted) is impractical. The harvest cycle does not allow this, and the marketer has consistent commitments during the year. The management of shipments and costs during 2006 will consequently be quite challenging to the industry. The Caribbean Banana Exporters Association aptly summarises the deficiency of the new regime in the following words, "The origin and main justification of the preferential regimes for bananas was the need to safeguard the trade of the most vulnerable producers in economies that were socially and economically dependent on it. It would be perverse to provide a duty-free quota intended for this purpose, but then allocate it by a method tailor made to favour the strongest at the expense of the most vulnerable".

Sources: http://europa.eu.int/comm/agriculture/newsroom/en/226.htm;
http://www.cbea.org/main.asp

price boost did not occur, although prices did eventually stabilize. While sales of the 'head-on' shrimp to buyers in the EU and Mexico increased, Mexican buyers were offering farm gate prices, which are lower than the normal export price since international delivery and handling costs are excluded. While lower, these prices were sufficient to enable producers to maximise their net returns. Consequently, while the average price per pound of shrimp fell from $5.01 in 2004 to $3.25 in 2005, the industry's net profitability did not necessarily diminish as well.

Limited by natural, cyclical reproductive patterns, the wild capture of lobster was down, so lobster exports declined by 5.2% in volume, while a 1.0% price improvement to $28.43 held the revenue decline to 4.2%.

Conch performed well, as a 12.1% decrease in sale volume to 0.5mn pounds was more than offset by a 40.1% price improvement that drove up earnings by 23.2% to $7.2mn. The Convention on International Trade in Endangered Species (CITES) banned the importation of conch from Jamaica, Colombia, Honduras and a few other countries, significantly reducing supplies to the US and causing prices for conch to increase significantly from $9.75 in 2004 to $13.66 in 2005. CITES, while benefiting Belize by boosting export prices, also required the local fishing industry to ensure that only legal sized conch was harvested, a factor that may have influenced to some extent the decline in export volume.

The export of whole/fillet fish once again expanded substantially with volume increasing by 77.3% to 0.4mn pounds and earnings by 36.8% to $1.7mn. The increase was linked to the continued development of the domestic tilapia industry and the corresponding expansion in the export volume of fresh tilapia fish fillets, all of which was sold to the US. While US demand for fresh fillet experienced double digit growth during the year, countries such as Ecuador, Costa Rica and Honduras, the major suppliers of this product to the United States, also increased production thereby contributing to a decline in the average price from $4.92 to $4.15 per pound.

Table VI.7: Exports of Marine Products

	2003		2004		2005	
	Volume ('000 lbs)	Value ($'000)	Volume ('000 lbs)	Value ($'000)	Volume ('000 lbs)	Value ($'000)
Lobster Tail	521	13,511	505	14,980	490	14,373
Lobster Head	15	87	33	162	20	126
Shrimp	16,052	92,762	16,999	85,153	18,445	60,535
Conch	450	3,741	596	5,810	524	7,156
Whole/Fillet Fish	24	30	251	1,228	445	1,681
Other	1	26	3	38	4	55
Total	**17,063**	**110,157**	**18,387**	**107,371**	**19,928**	**83,926**

Source: Central Statistical Office

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

Other Major Exports

A greater proportion of high valued garments was exported compared to the previous year. Consequently, while garment exports declined by 12.8%, revenues declined by only 8.6% to $33.9mn given the 4.8% improvement in the average unit price.

With mahogany remaining on the endangered species list and logging being restricted to forests that have been certified as managed in a sustainable manner, exports of sawn wood fell by 29.0% to 0.7mn board feet, while earnings fell by 13.3% to $2.6mn even with a 22.1% increase in the average unit price.

The volume of Belize's papaya exports expanded by 13.5% to 63.1mn pounds and earnings were up 7.5% to $26.8mn with the industry benefiting from a reduction in Mexican papayas exports to the United States, a decline in Hawaiian-grown papayas and an aggressive marketing and sales effort. In 2004, Mexico had accounted for some 75.0% of total US papaya imports, followed by Belize with 19.0% and Brazil with 4.0%. Hurricane damage to Mexican papaya plantations in 2005 opened the window for other suppliers and although competition in the papaya market is intense, the local industry has been able to keep up a steady supply of high quality papayas that allows it to maintain a competitive advantage in the US.

Non-traditional Exports

The value of non-traditional exports expanded by 63.2% to $33.0mn with citrus oils, beans, fresh orange, pepper sauce and a medley of miscellaneous non-traditional products increasing robustly. The push to maximise production and sales of citrus by-products more than doubled the volume of citrus oils to 3.0mn pounds and increased export value by $5.2mn to $8.9mn. While orange oil dominated sale volume, the higher valued grapefruit oil accounted for 68.6% of revenues. The smoothing of trade arrangements for beans within CARICOM virtually doubled sales of red kidney beans and

Table VI.8: Other Major Exports

	2003	2004	2005
Garments			
Volume (mn lbs)	3.2	3.9	3.4
Value ($mn)	30.9	37.1	33.9
Sawn Wood			
Volume ('000 bd ft.)	1,053	1,052	747
Value ($mn)	3.5	3.0	2.6
Papayas			
Volume ('000 lbs)	36,522	55,607	63,106
Value ($mn)	16.8	22.8	26.8

Source: Central Statistical Office

black eye peas to 15.9mn pounds, while a modest price improvement for red kidney beans drove up revenues by 113.6% to $8.9mn. Sales of fresh oranges, most of which are being sold to Germany and the UK for the 'freshly-squeezed' juice market, also increased 30.1% in volume to 19.6mn pounds while revenues rose by 62.5% to $3.4mn.

Re-exports

Re-exports expanded by 5.5% to $252.6mn reflecting a 3.9% rise in CFZ sales as well as a 22.9% expansion in re-exports from the customs' area. Although sales of fuel, the initial product that spurred CFZ development, declined further, the CFZ experienced increased activity that may be partly attributed to its success in attracting a wider spectrum of the Mexican market through the diversification into high end merchandise stores. The CFZ may also be benefiting from spill off visitors from the adjacent casinos. The growth in other re-exports was mostly due to the hike in the cost of fuel sold to international airlines.

Gross Imports

Gross imports (f.o.b.) rose by $151.0mn, reflecting increases of $126.2mn and $24.8mn for goods imported into the customs' territory and the CFZ, respectively. All categories of goods, except *'Animal and Vegetable Oils'*, went up. The largest increase was in *'Fuels and Lubricants, including electricity'* which rose by $48.0mn due to higher imports of Mexican electricity and steep hikes in international fuel prices that outweighed volume declines of more than 12.0% in diesel, gasoline and butane imports. This was followed by *'Machinery and Transport Equipment'*, which expanded by $21.7mn mainly due to the importation of vehicles, communication equipment and aircrafts, and *'Miscellaneous Manufactured Goods'* with a $17.6mn increase arising from larger purchases of consumer goods, such as jewelry, plastic bags, bottles, and printed paper. In the latter category, jewelry imports targeted at the cruise ship market accounted for virtually 60.0% of the increase. Imports of *'Chemical Products'* and *'Food and Live Animals'* also recorded double digit increases of $11.3mn and $10.4mn, respectively, as the former showed higher purchases of medicines, fertilizers, and insecticides, while durum wheat and animal feed drove up the latter.

Direction of Visible Trade

During the year, the US and UK continued to be Belize's main trading partners, accounting for 74.2% of total export proceeds. While the share of sales to the US market declined by three percentage points to 52.1% due to a fall-off in shrimp and garment exports, the UK's percentage share rose from 19.7% to 22.1% largely because of stronger citrus oil, fresh orange and shrimp sales. With the UK's share rising, the share of exports to other EU countries fell to 6.7% as compared to 10.1% in the previous year. Due to the surge in farmed shrimp sales, Mexico's share rose from 1.4% to 4.3%.

Table VI.9: Direction of Visible Trade

Percentage

	Exports*			Imports		
	2003	2004	2005	2003	2004	2005
United States of America	55.5	55.1	52.1	42.5	38.7	39.1
Mexico	1.5	1.4	4.3	7.9	10.3	9.4
United Kingdom	24.5	19.7	22.1	2.5	2.3	1.6
Other EU	5.4	10.1	6.7	5.1	3.9	5.1
Central America	1.1	0.4	0.6	16.6	19.2	19.5
CARICOM	8.4	11.4	11.5	2.7	2.6	2.4
Canada	0.2	0.2	0.1	1.2	1.2	1.3
Other	3.4	1.7	2.7	21.3	21.8	21.6
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Central Statistical Office
* excludes CFZ sales

CARICOM's share remained relatively stable at 11.5% as a reduction in sugar exports was compensated for by an increase in citrus juice and bean sales.

While the share of imports from the US increased from 38.7% to 39.1%, the UK's share declined from 2.3% to 1.6% and purchases from other EU countries increased from 3.9% to 5.1%. Mexico accounted for 9.4% of imports and other Central American countries combined for 19.5%. The share of imports from CARICOM fell slightly to 2.4% during the year.

Services

Even with a decline in cruise ship arrivals, tourism activity was the cornerstone of a 63.1% increase in net receipts from services as visitor expenditures rose significantly in response to the opening of several high end jewelry stores and other attractions. With travel expenditure abroad by residents registering a marginal decline, net inflows from travel services increased by 37.1% to $344.0mn. The surplus from services was further boosted as net inflows to the government more than doubled to $20.4mn reflecting increased revenues from permit/visa fees and a 50.0% rise in funds for foreign embassies and military units. In another positive development, net outflows for other goods and services declined by $9.7mn as earnings from the construction of the US Embassy and other miscellaneous services drove up receipts by 43.6%. The latter more than offset Government payments that included a $16.1mn insurance payment on the Bear Stearns bonds and legal fees associated with the placement of the bonds, the buy back of BWSL shares and the GOB/ICC dispute. Transportation was the only category that had a negative net impact on the services account as higher freight costs corresponding to the expanded volume of internationally traded goods drove up net outlays by $6.4mn to $40.8mn.

Income

In a reversal from the previous year, net outflows on the income account declined by 2.0% to

$222.4mn as higher interest payments on the external debt was outweighed by the net impact of a decline in payments to seasonal, agricultural workers, increased earnings of resident workers linked to the US embassy construction project, a reduction in the level of profit repatriation and reinvested earnings and a modest increase in Central Bank interest earnings on its foreign asset portfolio.

Current Transfers

Increases in family remittances and inflows to credit unions, insurance companies, and non-profit organizations overshadowed an $11.2mn decline in official grants to the government, and accounted for a 9.0% rise in current transfers to $112.1mn. In a noteworthy development, inflows of remittances increased even though only one money transfer primary agent operated in 2005 instead of the two that conducted operations during most of 2004.

Capital and Financial Accounts

A reduction in debt forgiveness accounted for a $6.3mn decline in the capital account surplus to $2.2mn. Unlike 2004 when debt assistance from the UK and US governments totalled $7.4mn, only $1.5mn was received under the USAID Debt for Nature Swap Agreement and there was no debt forgiveness from the British Government during 2005.

Strong investor activity and government borrowings for balance of payments support paved the way for a 47.5% increase in the surplus on the financial account that summed to $312.5mn. Notwithstanding the government's buy back of the water and sewerage company from Cascal B.V. of the Netherlands, net foreign investment inflows rose to $215.5mn, a 4.7% increase over the previous year. Notable transactions included government’s sale of Belize Telecommunication Limited (BTL) shares,

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

$mn

	2003			2004			2005		
	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net
Services	**424.3**	**284.9**	**139.4**	**470.6**	**297.1**	**173.5**	**602.7**	**319.8**	**282.9**
Transportation	44.3	79.4	-35.1	54.8	89.2	-34.4	59.4	100.2	-40.8
Travel*	299.4	91.7	207.7	336.1	85.2	250.9	427.3	83.3	344.0
Other Goods and Services	48.4	95.6	-47.2	56.0	106.4	-50.4	80.4	121.1	-40.7
Govt. Goods and Services, N.I.E	32.2	18.3	13.9	23.8	16.3	7.5	35.6	15.2	20.4
Income	**9.1**	**179.4**	**-170.3**	**8.7**	**235.7**	**-227.0**	**13.6**	**236.0**	**-222.4**
Labour Income**	5.0	10.9	-5.9	4.9	12.4	-7.5	7.5	11.7	-4.2
Investment Income	4.2	168.5	-164.3	3.8	223.3	-219.5	6.0	224.3	-218.3
Current Transfers	**122.1**	**30.4**	**91.7**	**128.2**	**25.4**	**102.8**	**141.9**	**29.8**	**112.1**
Government	5.5	0.2	5.3	27.4	0.2	27.2	16.2	0.2	16.0
Private	116.6	30.2	86.4	100.8	25.1	75.7	125.7	29.5	96.2

*Tourism earnings in 2005 were measured on the basis of actual inflows recorded by the banking system. Numbers for previous years are based on the revised 2000 VEMS survey.

**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.

tourism projects such as the construction/expansion of casinos at the northern border and various hotels, the Chalillo Dam construction and oil exploration and development.

Unfavourable exchange rate movements resulted in a net outlay of $10.6mn as the Yen/US$ currency swap derivative contract that was linked to the Salomon Smith Barney Bond matured in June.

The impact of external borrowings on the financial surplus was reduced given the offsetting impact of disbursements and debt repayments. While external disbursements to Government totaled $427.8mn (including $273.4mn from two Bear Stearns bond issues), amortization payments by the public sector amounted to $308.3mn as, among other transactions, the Salomon Smith Barney Bond ($58.2mn) and the Capital Market Financial Services notes ($158.0mn) were retired. In other developments, the commercial banks' net position improved by $9.8mn with foreign assets and foreign liabilities rising by $18.3mn and $8.5mn, respectively. Meanwhile, net financial outflows from the private sector contracted as loan disbursements exceeded amortisation payments, in contrast to the previous year when the reverse was true.

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

$mn

	2003 Net	2004 Net	2005 Net
CAPITAL ACCOUNT	**3.0**	**8.5**	**2.2**
General Government	1.5	7.4	1.5
Other Sectors	1.6	1.1	0.7
FINANCIAL ACCOUNT	**346.0**	**211.9**	**312.5**
Direct Investment Abroad	-0.7	-0.1	-2.0
Direct Investment in Belize	-21.8	205.8	215.5
Portfolio Investment Assets	-0.3	-0.5	-0.4
Portfolio Investment Liabilities	151.1	151.3	34.2
Financial Derivatives Assets	1.4	1.1	0.5
Financial Derivatives Liabilities	0.0	0.0	-11.1
Other Investment Assets	-26.6	-14.8	-23.2
Monetary Authorities	0.0	0.0	0.0
General Government	-6.0	-6.0	-6.0
Banks	-6.0	-10.6	-18.3
Other Sectors	-14.6	1.8	1.1
Other Investment Liabilities	243.0	-131.0	98.9
Monetary Authorities	-5.2	-8.0	-2.6
General Government	104.6	-101.9	89.9
Banks	56.9	0.7	16.9
Other Sectors	86.6	-21.8	-5.3
CHANGES IN RESERVES (Negative = Increase in reserves and vice versa)	**60.1**	**62.7**	**-36.0**

Table VI.12: Official International Reserves

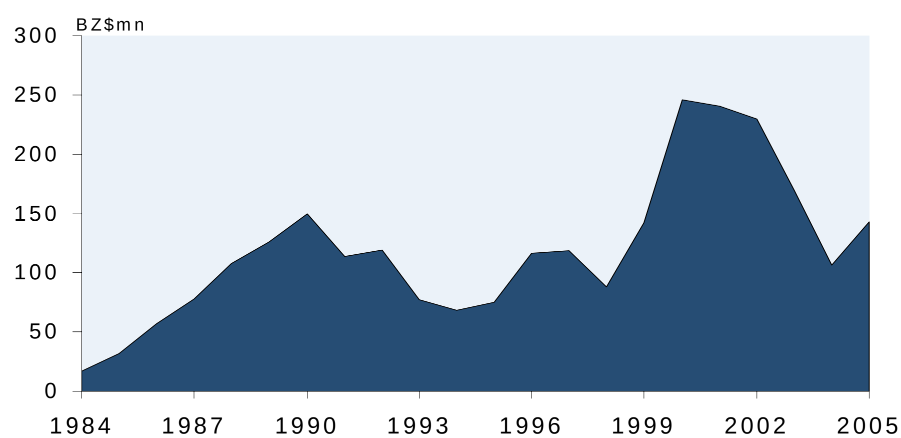
$mn

	Position as at			Changes during 2005
	Dec-03	Dec-04	Dec-05	
Gross Official International Reserves	**169.2**	**106.5**	**142.6**	**36.0**
Central Bank of Belize	**152.4**	**79.6**	**115.8**	**36.2**
Holdings of SDRs	4.6	4.8	5.0	0.3
IMF Reserve Tranche	12.5	13.1	12.1	-1.0
Other	135.3	61.7	98.6	36.9
Central Government	**16.8**	**27.0**	**26.8**	**-0.2**
Foreign Liabilities	**5.8**	**2.8**	**2.7**	**-0.1**
CARICOM	0.8	0.1	0.3	0.2
Other	5.0	2.7	2.4	-0.3
Net Official International Reserves	**163.4**	**103.7**	**139.9**	**36.1**

Official International Reserves

Bolstered by external borrowings, gross international reserves increased by $36.0mn to $142.6mn as the Central Bank's foreign assets rose by $36.2mn, while Central Government's holdings fell by $0.2mn. Meanwhile, the net international reserve position rose by $36.1mn to $139.9mn, a marginally larger increase facilitated by a $0.1mn reduction in foreign liabilities.

Chart VI.2: Gross Official International Reserves



In 2006, the economy is expected to grow moderately (between 2.0% and 3.0%) as fiscal and monetary measures aimed at slowing domestic consumption and stabilizing the balance of payments are maintained. The Central Statistical Office estimates that inflation should be about 4.5% with higher oil prices, increased electricity rates and the new General Sales Tax scheduled for implementation in July 2006 all tending to push overall costs upward. The government's continued commitment to keep a tight rein on spending should limit the overall fiscal deficit to approximately 2.9% of GDP for fiscal 2006/2007 and tighter policies should slow the growth rate in money supply, reduce domestic consumption and indirectly contribute to the buildup of foreign reserves necessary to meet external debt service obligations. The export sector should continue to hold its own with domestic exports being boosted by approximately 12.0% as a result of the continued bullish market for citrus juices and byproducts as well as the premiering of crude oil on the export scene.

Developments in the primary sector include an increase in oil exploration activities that are expected to expand to the southern part of the country. In agriculture, increases in sugarcane and papaya are forecasted alongside declines in citrus and banana, while livestock and basic grains should remain relatively stable. Sufficient rainfall during the sugarcane growing season should boost deliveries by 18.4% to 1.1mn long tons, yielding some 110,000 long tons of sugar and 40,000 long tons of molasses. With higher output and a modest increase in the US sugar quota allocated to Belize this year, sugar exports should rise to 98,500 long tons ($74.4mn), volume and value increases of 11.7% and 6.9%, respectively. The projected earnings do not take into account the scheduled EU price cuts as sales to this market should occur in the first half of the year and not in the second half when the first price cut becomes effective. Exports of molasses should increase marginally to 35,000 long tons but with earnings declining to $3.4mn due to a weakening in prices.

After a record bumper crop in 2004/2005, citrus should revert back to its natural cycle with deliveries declining by 20.4% to 6.2mn boxes and production of citrus juices falling by 21.0% to 35.3mn pound solids (ps). Pulp cell yields should double with the upgrading of pulp extraction facilities but oil output should decline by 27.0% due to the fall in processing volume. Although output will decline, exports will be boosted by sale of stocks from the existing inventory resulting in a 6.6% rise in citrus juice export volume to 36.5mn ps. Revenues are expected to surge by 21.3% to $86.5mn due to a moderate increase in grapefruit juice prices and a strong rally in orange prices prompted by the second consecutive year of hurricane destruction to Florida's citrus groves. Another measure that will help to boost revenues will be the start-up of juice sales to Central America where prices tend to be more favourable than the USA or EU. Sales of pulp cells and oils, most of which are already contracted, should yield another $9.0mn.

Exports of banana are initially forecasted to amount to 71,813 tonnes ($47.8mn), declines of 5.6% in volume and 6.5% in value as the uncertainty surrounding the implementation of the new EU import regime is causing growers to reduce their exposure by trimming production outlays. In addition to the impact of the small volume decline, the revenue loss is likely to be exacerbated by a 1.4% decline in the average box price. The outlook for earnings may also need to be revised downward to reflect the impact of any import duties on Belizean banana that could result from the new EU delivery system by quota tranche or any change in the marketing agreement. Under trading arrangements that are more responsive to WTO dictates, the performance of the industry during 2006 will be a good indicator of its future as a banana producer.

In 2006, papaya export is poised for a 10.0% increase to 69.4mn pounds ($29.4mn) as demand in the US continues to grow and Mexican production recovers from storm damage.

Little variation is expected in marine exports with shrimp exports likely to remain relatively stable at 18.5mn pounds ($60.5mn) as the fall in production volume arising from one major farm's switch to a one crop system with emphasis on jumbo shrimps being compensated for by higher production from farms utilizing more intensive management systems. Market and product diversification should help to keep net returns up for shrimp farmers, notwithstanding the likelihood that the average price per pound will remain at the 2005 level. Now in full production, exports of fresh tilapia should rise from 0.4mn pounds to 0.6mn pounds valued at $3.5mn. Meanwhile, the wild capture of conch, due to the nature of its cyclical, reproductive patterns, will be down, and exports should fall by 3.4% to 0.5mn pounds while revenues should decline by 5.6% to $6.8mn as unit prices fall marginally. On the other hand, lobster sales should expand by 12.4% to 0.6mn pounds with earnings up by 16.6% to $16.9mn as prices strengthen further with strong demand from the dining out market.

The performance of the secondary sector should continue to be mixed in 2006. While sugar production will rise, citrus agro-processing will contract and the performance of manufacturers that produce goods for the domestic market such as beer, soft drinks and tobacco may continue to be affected by changes in the tax regime which appear to have negatively affected consumption in 2005. While no major change is expected in the utilities, the level of activity in the construction sector will be largely determined by whether the contractionary effect of the fiscal and monetary policy framework is outweighed by the commencement in earnest of work on the carnival port facility and the continuation of the airport runway expansion and other projects.

Indications are that growth in the services sector should not exceed that of the previous year. While the number of stay-over tourist arrivals is predicted to increase by 5.0% to 238,000, a projected 13.5% decline in cruise ship arrivals to 623,000 due to the re-deployment elsewhere of one of the ships that had been making weekly port calls will dampen this expansion. In addition, measures to slow domestic consumption should limit the growth of the merchandising sub-sector, while tight fiscal controls should rein in government services.

Foreign Exchange Operations

Even with sales exceeding purchases in eight out of the twelve months, the Central Bank recorded net purchases of $40.3mn as a result of its trade in US dollars, Canadian dollars, and Pound Sterling during the year. Purchases peaked in March with the receipt of proceeds of the Bear Stearns bonds and again in September when a loan disbursement was received from ROC/Taiwan On the other hand, large sales occurred in April, June and November as the Capital Market Financial Services noteholders opted for early repayment and the Salomon Smith Barney bonds were retired. Trade in CARICOM currencies was mostly for settlement of official transactions and resulted in net sales each month that summed to $1.2mn for the year.

External Assets Ratio

Section 25(2) of the Central Bank of Belize Act 1982 requires the Bank to maintain external asset 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. After peaking at 67.2% in March following the receipt of Bear Stearns bond inflows, the ratio began to trend downward, bottoming out at 35.9% in December largely due to a decision by bondholders to exercise an early put option on notes issued by the Government in the previous year. At year end, the Bank's external assets were comprised of cash and fixed deposits (83.9%), foreign securities (11.9%) and holdings of Special Drawing Rights with the International Monetary Fund (4.2%).

Table VII.1: Central Bank Dealings in Foreign Exchange 2005

$mn

Month	US $, Canadian $, and UK £			CARICOM Currencies		
	Purchases	Sales	Net	Purchases	Sales	Net
January	49.5	14.9	34.6	0.00	0.37	-0.37
February	10.7	37.1	-26.4	0.00	0.05	-0.05
March	267.9	24.2	243.7	0.03	0.12	-0.10
April	54.0	111.0	-57.0	0.00	0.14	-0.13
May	23.5	13.7	9.8	0.00	0.19	-0.19
June	25.8	102.3	-76.5	0.03	0.06	-0.03
July	7.4	14.9	-7.4	0.07	0.20	-0.13
August	17.3	36.0	-18.7	0.01	0.01	0.00
September	66.1	38.7	27.3	0.00	0.02	-0.02
October	31.2	49.6	-18.4	0.00	0.08	-0.08
November	24.1	82.9	-58.8	0.00	0.01	-0.01
December	24.3	36.3	-12.0	0.00	0.15	-0.15
Total	**601.9**	**561.6**	**40.3**	**0.14**	**1.39**	**-1.25**

Table VII.2: External Asset Ratio 2005

MONTH	Assets $mn	Liabilites $mn	External Asset Ratio (%)
January	114.8	261.6	43.88
February	89.8	241.6	37.17
March	329.4	490.3	67.18
April	277.3	416.0	66.66
May	281.6	439.3	64.10
June	207.7	371.3	55.94
July	201.9	372.3	54.23
August	177.4	367.3	48.30
September	205.1	377.5	54.33
October	188.4	379.1	49.70
November	129.7	355.3	36.50
December	118.4	330.0	35.88

Relations with Commercial Banks

Cash Balances

Following a 1.0% increase (from 6.0% to 7.0%)in the cash reserve requirement in December 2004, commercial banks' holdings of cash reserves averaged $84.7mn, some $1.2mn lower than the statutory level. In May, the cash reserve requirement was increased by an additional 1.0%. Average cash holdings during the last eight months of the year consequently rose to $112.0mn with the banks moving into an excess cash position in June and maintaining that position to the end of the year.

At the end of December, currency in circulation amounted to $143.0mn, a $1.1mn increase over the previous year. At that point, the public was holding $117.5mn while the combined vault cash holdings of commercial banks amounted to $25.5mn. The month of lowest currency circulation was September, unlike the previous year when January

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

$mn

MONTH	Average Deposit Liabilites	Required Cash Reserves	Actual Cash Holdings	Excess/ (Deficit)
January	1,210.6	84.74	85.53	0.79
February	1,218.3	85.28	87.41	2.13
March	1,234.0	86.38	80.81	-5.57
April	1,248.2	87.38	85.15	-2.23
May	1,291.8	103.34	98.31	-5.03
June	1,298.2	103.85	108.00	4.15
July	1,284.1	102.73	113.77	11.05
August	1,291.3	103.30	117.68	14.37
September	1,290.6	103.25	121.69	18.44
October	1,286.4	102.91	114.05	11.14
November	1,283.9	102.71	110.57	7.86
December	1,293.4	103.47	112.18	8.71

Table VII.4: Currency in Circulation 2005

$mn

MONTH	Notes	Coins	Total	Commercial Bank Vault Cash	Currency with the Public
January	118.4	13.7	132.1	21.3	110.8
February	118.2	13.7	131.9	19.7	112.2
March	125.8	13.9	139.7	27.4	112.3
April	123.8	14.1	137.9	18.6	119.3
May	128.1	14.1	142.2	24.4	117.8
June	127.9	14.2	142.1	24.2	117.9
July	124.7	14.3	139.0	21.5	117.5
August	120.7	14.3	135.0	22.6	112.4
September	115.2	14.3	129.5	19.1	110.4
October	116.7	14.3	131.0	22.9	108.1
November	120.9	14.4	135.3	24.9	110.4
December	128.4	14.6	143.0	25.5	117.5

marked the lowest point. As in previous years, December remained the peak month reflecting the rise in transactions during the Christmas season.

Transactions with Central Government

Under the Central Bank Act, the Bank may extend advances to Government up to a maximum of 20% of current revenue collected during the preceding financial year or a sum of $50.0mn, whichever is greater. The ceiling for 2005 was $89.7mn and advances were generally held within that threshhold averaging some $83.2mn in eleven out of the twelve months. The exception was the month of November when advances rose to $115.7mn as a result of the unprogrammed lump sum payment made to bondholders under the CMFS arrangement.

Table VII.5: Central Bank Credit to Central Government

Month	Treasury Bills	Treasury Notes	Treasury Bonds	Overdraft Facility	A	B
January	60.7	0.0	10.0	75.38	3.02	17.63
February	66.2	0.0	10.0	79.51	3.25	18.59
March	72.2	0.0	10.0	79.87	3.51	18.67
April	53.2	0.0	10.0	82.27	2.70	18.03
May	62.7	0.0	10.0	83.06	3.10	18.21
June	45.3	0.0	10.0	88.99	2.36	19.51
July	56.8	0.0	10.0	86.68	2.85	19.00
August	64.8	4.0	10.0	89.15	3.36	19.54
September	54.8	4.0	10.0	74.26	2.93	16.28
October	63.8	4.0	10.0	86.26	3.32	18.91
November	69.8	4.0	10.0	115.71	3.57	25.36
December	73.8	9.0	10.0	89.64	3.96	19.65

A: Central Bank Holdings of Government Securities as a multiple of Central Bank's paid up Capital and Reserves
B: Advance to Government as a percentage of Government's estimated recurrent revenue fiscal year
Current Revenues for Fiscal 2003/2004 of $427.661mn (January - March)
Current Revenues for Fiscal 2004/2005 of $456.222mn (April - December)

Table VII.6: Government of Belize Treasury Bill Issues

Issue Number	Issue Date	Maturity Date	Allotment $mn	Average Discount	Average Yield %
1/05	12/29/04	03/30/05	45.4	3.22	3.25
2/05	01/26/05	04/27/05	13.2	3.22	3.25
3/05	02/10/05	05/12/05	5.8	3.22	3.25
4/05	03/08/05	06/07/05	35.6	3.22	3.25
5/05	03/30/05	06/29/05	45.4	3.22	3.25
6/05	04/27/05	07/27/05	13.2	3.22	3.25
7/05	05/12/05	08/11/05	5.8	3.22	3.25
8/05	06/07/05	09/07/05	35.6	3.22	3.25
9/05	06/29/05	09/28/05	45.4	3.22	3.25
10/05	07/27/05	10/26/05	13.2	3.22	3.25
11/05	08/11/05	11/10/05	5.8	3.22	3.25
12/05	09/07/05	12/07/05	35.6	3.22	3.25
13/05	09/28/05	12/28/05	45.4	3.22	3.25
14/05	10/26/05	01/25/06	13.2	3.22	3.25
15/05	11/10/05	02/09/06	5.8	3.22	3.25
16/05	12/07/05	03/08/06	35.6	3.22	3.25

Treasury Bills

As the Government's agent, the Central Bank continued to conduct Treasury bill operations on its behalf during the year. Treasury bills with a total value of $100.0mn were traded in the secondary market, the maximum presently allowable. On average, the Central Bank held some $62.0mn with the commercial banks accounting for most of the remainder. The Bank's holdings reached a low of $45.3mn in June following the 1.0% increase in commercial bank statutory reserve requirements but this rose in the following months as commercial banks shifted their portfolios to facilitate a rise in lending. At the end of the year, the Central Bank's Treasury bill holdings stood at $73.8mn.

Treasury Notes

Under the 1993 amendment to the Treasury Bill Act, the Government of Belize may issue up to $25.0mn in Treasury Notes. These notes have a one-year maturity period and carry a 9.0% rate of interest. At the end of 2005, total Treasury Notes outstanding amounted to $25.0mn, of which, some $16.0mn was held by a domestic bank with Central Bank holding the balance.

Supervision of Banks and Financial Institutions

As a result of the passage of the Credit Unions (Amendment) Act that became effective on December 1, 2005, the Central Bank became responsible for supervising and regulating credit unions in Belize. Apart from further integrating the supervision of the financial sector, the amendment seeks to strengthen regulatory oversight based on principles laid down by the World Council of Credit Unions and also to improve efficiency by encouraging compliance with international standards. Currently, fourteen active credit

Table VII.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.	
FirstCaribbean Int'l Bank (Barbados) Ltd.	Investment and Commerce Bank Ltd.	
Scotiabank (Belize) Ltd.	Market Street Bank Ltd.	
	Provident Bank & Trust of Belize Ltd.	
	The Oxxy Bank Ltd	

unions are operating in Belize with total assets ranging from approximately $0.23mn to $220.0mn.

To effectively carry out its mandate of bank supervision, four full scope on-site examinations and two specialized examinations involving three domestic banks and two international banks were conducted during the year. These risk focused examinations were performed to determine whether the banks were operating in a sound and safe manner and to ensure that all laws and regulations including anti-money laundering laws were being adhered to. A visit was also made to the home country supervisor for two international banks to ascertain that the standards being enforced by the home country supervisors were acceptable.

During 2005, applications were received for licenses to operate two financial institutions and one international bank. While the application for the international bank is still being processed, the two applications to operate domestic financial institutions were denied since they did not meet the criteria set by the Central Bank. To date, there are five domestic commercial banks, seven international banks and one financial institution licensed under the banking laws of Belize.

In order to keep up with internationally accepted standards, the Central Bank is also in the process of reviewing the Banks and Financial Institutions Act (BFIA) and the International Banking Act (IBA). Apart from ensuring that domestic legislation is in compliance with the Basle core principles, the legislative review aims to standardize certain procedures for both the domestic and international banking laws and establish Central Bank autonomy in issuing and revoking banking licenses.

Table VII.8: List of Credit Unions

Holy Redeemer Credit Union Ltd.	St. Martin's Credit Union Ltd.	Evangel Credit Union Ltd.
St. John's Credit Union Ltd.	Civil Service Credit Union Ltd.	Wesley Credit Union Ltd.
St. Francis Xavier Credit Union Ltd.	Mount Carmel Credit Union Ltd.	Police Credit Union Ltd.
La Immaculada Credit Union Ltd.	Toledo Teachers Credit Union Ltd.	Citrus Growers & Workers Credit Union Ltd.
Blue Creek Credit Union Ltd.		Belize Credit Union League Ltd.

Information Systems Unit

Overview

In 2005, the Information Systems Unit (ISU) upgraded all critical systems of the Central Bank to the latest versions available and improved the level of system security.

Network Security

A detailed internal security assessment and external penetration analysis conducted on the Bank's network to evaluate the security infrastructure revealed that the bank is adhering to international best practices and standards. Firewall rules were tested and revised to address minor vulnerabilities. As part of its security strategy, the bank is implementing the Intrusion Detection System, SNORT.

Upgrade of Major Application Software Packages

- Final upgrades of the SWIFTNET Link and SWIFT Alliance Entry software were completed by March 2005, concluding Phase I of the SWIFTNET migration project, which is to replace the existing x25 protocol and security infrastructure to one based on the IP protocol.

- On the HRPLUS Human Resources system, the recruitment module was launched, while portions of the vacation leave module began running in parallel with the manual system. Additional customized reports were added to the system for Pension and Income Tax returns.

- The Commonwealth Secretariat's debt management system, CS-DRMS version 1.1, went into production in late 2004 and another major maintenance upgrade was tested and implemented in 2005. This latest version was also deployed to the Ministry of Finance.

- The process of implementing the AREMOS software package used for the development and management of time series databases continued in 2005 with further work to develop the system scheduled for early 2006.

- The GE Picture Perfect Security Access system was upgraded from version 1.7 to 2.0. The system runs on REDHAT LINUX, which was upgraded from version 7.2 to 7.3. Several components of the system were replaced with digital versions that have networking capabilities.

- The Honeywell Building Management system that was running on a Windows 98 platform was replaced by a new version that runs on Window 2000 Professional.

The Board of Directors

The Board of Directors held 11 meetings in 2005 and considered 66 submissions.

Overseas Meetings

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

Finance

The Central Bank's financial statements for the year ended December 31, 2005, with comparative figures for the previous year, are annexed to this report. During the year, the assets of the Bank increased by 16.6% to $367.1mn. External and domestic assets recorded increases of 49.8% to $119.2mn and 5.4% to $248.0mn, respectively.

At year-end, the net operating surplus amounted to $8.5mn, compared to $5.9mn in 2004. Gross earnings totaled $19.8mn including interest income of $18.3mn and commissions and other income of $1.5mn. Current expenditure totaled $11.3mn with staff costs, interest payments and other operating costs accounting for 50.4 %,

Box 8: Meetings Attended by the Governor and Deputy Governors during 2005

Name of Meeting/Conference	Month	Place
Meeting of the Bank for International Settlement Open Economies	March	Antigua, Guatemala
Meeting of Superintendents of Banks of Central America	May	Panama
Meeting with International Financial Institutions	June	Washington, D.C.
CARICOM Central Bank Governors Meeting	June	Belize City
Meeting on Caribbean Monetary Union	July	Jamaica
Meeting of CEMLA	July	Mexico City
VII Annual Assembly of the Association of Supervisors of Banks of the Americas (ASBA)	September	Oaxaca, Mexico
Meeting of the Inter American Development Bank and CEMLA	September	Washington, D.C.
2005 Annual Meeting of the IMF/World Bank Group	September	Washington, D.C.
CARICOM Central Bank Governors Meeting	December	Belize City

7.4%, and 42.2%, respectively.

As provided for under Section 9(1) of the Central Bank Act, \$0.9mn or 10.0% of the net operating surplus will be paid into the Central Bank's General Reserve Fund. The balance of \$7.6mn will be transferred to the Accountant General for the Government of Belize's Consolidated Revenue Fund.

Internal Audit

During the year, the Internal Audit Unit updated its audit program and procedures manual and formalized its strategic plan in anticipation of the Bank's organizational review. The Unit also prepared a risk matrix to facilitate the future development of departmental risk-based audit programmes.

In addition to its routine monitoring of general Central Bank operations, special audits of the following activities were conducted during the year:

- Year end reconciliation procedures for 2004 to assess accuracy, timeliness and effectiveness.
- Verification of furniture and equipment and procedures for purchase and disposal of capital items.
- Local and foreign travel policy and procedures.
- Acquisition and distribution process for books and periodicals.
- Administration of cash accounts.

The Unit also reviewed the maintenance program and equipment replacement plan of the Building Services Unit and the adequacy of procedures and controls for cash shipments. It facilitated the Audit Committee's review of the Bank's audited financial statements and management letter and also submitted a summary report to the Committee that formed the basis for further discussion and clarification of certain issues with the Central Bank's Board of Directors.

Human Resources

During the first quarter, the Bank contracted the Hay Group Inc., an independent consulting firm, to audit the proposed Performance Management System that was developed by the Human Resources Unit and the Committee of Managers to improve the measurement and reward of employee performance. The new system of meritocracy aims to increase the level of staff feedback and the overall objectivity of the performance appraisal process. In November, the Central Bank also embarked on an Organizational Review aimed at improving operational processes and information flow as well as strengthening the Bank's operations.

After a series of meetings, a new Collective Agreement between the Central Bank and the Christian Workers Union was signed upon the conclusion of negotiations in August 2005. The agreement was made retroactive to 1 January, 2005.

At the Annual Employee Recognition Ceremony, the Central Bank honoured employees with ten, fifteen and twenty years of service. The "Governor's Choice" award, which consists of a scholarship to the University of Belize, was presented to Miss Sherrette Fuller, a Senior Clerical Officer in the Research Department on the basis of her proven dedication to the job, longevity of service and exemplary performance.

In continuing its collaboration with the HIV/AIDS Workers Education Project launched by the Government of Belize in partnership with the International Labour Organization (ILO) and the United States Department of Labor (USDOL), the Central Bank celebrated World Aids Day under the Theme "Stop Aids – Keep the Promise" by distributing the symbolic red ribbons, flyers and electronic information.

Staffing

At 31 December, 2005, the Central Bank's staff totaled 142, of which 109 were established positions. Thirty-one staff members were on contract and 2 were employed on a temporary basis. The staff turnover rate increased from 5.0% to 6.0% with 8 separations occurring and 6 new positions being created.

Staff Development & Training

As in 2004, focus remained on developing technical and administrative skills Bank wide. International courses and workshops were attended by some staff at the managerial and professional levels. In addition a series of in-house training seminars were conducted to enhance management, supervisory, accounting and information technology proficiency. Staff members who took the initiative for further self-development to enhance job performance also received the support and encouragement of the Bank.

Community Service

In support of the University of Belize's *Internship Programme*, two students were employed to meet core requirements for graduation. In addition, one student from the Centre for Employment Training interned with the Bank's Building Services Unit to fulfill his vocational course requirements. Also, ten senior secondary school students did work-study for an average of two weeks and a nine-week Summer Employment Programme provided opportunity for eight students enrolled at a tertiary level institution to receive wages and develop practical skills.

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,* and the *Belize Cancer Society*.

Intra-Regional Games

In April 2005, sixteen members of staff went to Trinidad & Tobago for the Sixth Intra-Regional Games which are held biennially with a view to building relationships and camaraderie among the central banks of the region. The Bank's contingent won the *Goodwill Award* for participation, sportsmanship and congeniality and also placed second and third in volleyball and basketball, respectively.

Appendices

A. Monetary Policy 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 banks' 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 currency within 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 banks' cash and liquid asset ratios were increased from 6% to 7% and from 19% to 20%, respectively.

2005 - **(1 May)** Commercial banks' cash and liquid asset ratios were raised from 7% to 8% and from 20% to 21% respectively.
(1 May) The Central Bank disallowed the inclusion of long-term loans to Central Government as part of the commercial banks' approved liquid assets.
(11 July) Amendment to the Exchange Controls Regulations to repeal the licensing of Casas de Cambios.
(1 July) Commencement of the new Commercial Free Zone Act to make new and better provisions with respect to free zones.
(**1 December)** Commencement of the amendment of the Credit Unions Act to provide for the supervision of credit unions by the Central Bank.

B. Statistical Appendix

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

$mn

	2001	2002	2003	2004	2005
Primary Industries	**237.9**	**245.6**	**292.7**	**310.1**	**279.8**
Agriculture & forestry	168.8	173.1	185.5	206.8	197.5
Fishing	59.7	63.5	98.0	93.5	72.1
Mining	9.4	9.0	9.2	9.8	10.3
Secondary Industries	**299.5**	**306.8**	**288.7**	**312.0**	**326.7**
Manufacturing	154.5	154.1	153.7	164.9	173.1
Electricity & Water	61.3	64.1	59.7	64.7	70.9
Construction	83.7	88.6	75.3	82.4	82.8
Tertiary Industries	**1,024.1**	**1,122.6**	**1,212.7**	**1,293.9**	**1,404.2**
Wholesale & retail trade	288.4	301.8	305.1	304.7	329.7
Hotels & restaurants	66.8	68.4	83.6	97.5	103.5
Transport & Communications	165.5	199.1	204.5	225.5	246.7
Finance intermediation	111.7	133.3	163.7	173.1	188.2
Real estate & business services	112.1	124.9	129.3	141.5	160.3
Community, social & other services	105.4	107.4	120.4	136.7	146.0
General government services	174.1	187.7	206.2	214.9	229.6
Less: Financial Services Indirectly Measured	**55.7**	**74.4**	**91.3**	**94.6**	**101.7**
All Industries at basic prices	**1,505.8**	**1,600.6**	**1,702.8**	**1,821.5**	**1,909.0**
Taxes less subsidies on products	236.9	263.7	272.4	289.0	300.9
GDP at market prices	**1,742.7**	**1,864.3**	**1,975.2**	**2,110.4**	**2,209.9**

Source: Central Statistical Office

Table 2: Percentage Share of GDP by Industrial Sector at Current Prices *

Percent

	2001	2002	2003	2004	2005
Primary Industries	**13.7**	**13.2**	**14.8**	**14.7**	**12.7**
Agriculture & forestry	9.7	9.3	9.4	9.8	8.9
Fishing	3.4	3.4	5.0	4.4	3.3
Mining	0.5	0.5	0.5	0.5	0.5
Secondary Industries	**17.2**	**16.5**	**14.6**	**14.8**	**14.8**
Manufacturing	8.9	8.3	7.8	7.8	7.8
Electricity & Water	3.5	3.4	3.0	3.1	3.2
Construction	4.8	4.8	3.8	3.9	3.7
Tertiary Industries	**58.8**	**60.2**	**61.4**	**61.3**	**63.5**
Wholesale & retail trade	16.6	16.2	15.4	14.4	14.9
Hotels & restaurants	3.8	3.7	4.2	4.6	4.7
Transport & Communications	9.5	10.7	10.4	10.7	11.2
Finance intermediation	6.4	7.2	8.3	8.2	8.5
Real estate & business services	6.4	6.7	6.5	6.7	7.3
Community, social & other services	6.0	5.8	6.1	6.5	6.6
General government services	10.0	10.1	10.4	10.2	10.4
Less: Financial Services Indirectly Measured	**3.2**	**4.0**	**4.6**	**4.5**	**4.6**
All Industries at basic prices	**86.4**	**85.9**	**86.2**	**86.3**	**86.4**
Taxes less subsidies on products	13.6	14.1	13.8	13.7	13.6
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 (2000=100)

$mn

	2001	2002	2003	2004	2005
Primary Industries	**252.2**	**252.9**	**348.0**	**380.7**	**388.5**
Agriculture & forestry	178.0	183.9	212.4	237.6	236.0
Fishing	64.9	60.3	126.8	133.8	143.0
Mining	9.3	8.8	8.8	9.3	9.5
Secondary Industries	**299.3**	**306.3**	**295.0**	**316.7**	**314.0**
Manufacturing	156.7	159.0	158.2	177.7	178.0
Electricity & Water	58.6	60.2	65.3	64.3	63.9
Construction	83.9	87.0	71.5	74.7	72.2
Tertiary Industries	**1,006.4**	**1,086.4**	**1,175.2**	**1,213.7**	**1,290.2**
Wholesale & retail trade	290.2	301.8	306.0	305.9	323.0
Hotels & restaurants	66.4	68.0	77.9	84.0	87.4
Transport & Communications	158.5	176.4	191.5	201.1	216.7
Finance intermediation	103.8	131.1	172.5	181.8	205.3
Real estate & business services	110.9	121.7	123.0	129.9	142.3
Community, social & other services	102.2	106.2	111.5	115.8	117.8
General government services	174.4	181.2	192.7	195.3	197.7
Less: Financial Services Indirectly Measured	**52.1**	**73.4**	**97.3**	**101.3**	**113.9**
All Industries at basic prices	**1,505.7**	**1,572.3**	**1,720.9**	**1,809.8**	**1,878.9**
Taxes less subsidies on products	240.0	262.4	285.0	289.0	288.6
GDP at market prices	**1,745.7**	**1,834.6**	**2,005.9**	**2,098.8**	**2,167.5**

Source: Central Statistical Office

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

	2001	2002	2003	2004	2005
Primary Industries	**-0.3**	**0.3**	**37.6**	**9.4**	**2.1**
Agriculture & forestry	-2.0	3.3	15.5	11.9	-0.7
Fishing	4.3	-7.0	110.3	5.5	6.9
Mining	3.4	-5.7	0.5	4.9	2.5
Secondary Industries	**0.1**	**2.4**	**-3.7**	**7.4**	**-0.9**
Manufacturing	-0.6	1.5	-0.5	12.3	0.1
Electricity & Water	0.4	2.7	8.4	-1.5	-0.6
Construction	1.3	3.7	-17.9	4.6	-3.4
Tertiary Industries	**7.2**	**8.0**	**8.2**	**3.3**	**6.3**
Wholesale & retail trade	7.3	4.0	1.4	0.0	5.6
Hotels & restaurants	13.5	2.5	14.5	7.8	4.1
Transport & Communications	11.8	11.3	8.6	5.0	7.8
Finance intermediation	-0.2	26.4	31.5	5.4	12.9
Real estate & business services	13.0	9.7	1.1	5.6	9.6
Community, social & other services	1.5	3.9	5.0	3.9	1.7
General government services	5.8	3.9	6.3	1.3	1.3
Less: Financial Services Indirectly Measured	48.0	40.8	32.6	4.1	12.4
All Industries at basic prices	**3.5**	**4.4**	**9.4**	**5.2**	**3.8**
Taxes less subsidies on products	15.1	9.3	8.6	1.4	-0.2
GDP at market prices	**4.9**	**5.1**	**9.3**	**4.6**	**3.3**

Source: Central Statistical Office

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

Table 5: GDP by Expenditure in Current Prices

	2001	2002	2003	2004	2005
GDP in $mn					
Govt. final consumption expenditure	228.3	266.8	289.6	295.4	318.7
Private final consumption expenditure	1,361.2	1,463.6	1,528.8	1,584.1	1,587.5
Gross capital formation	438.4	421.5	374.8	373.2	414.8
Changes in inventories including discrepancy	-6.2	23.0	31.1	40.4	16.3
Gross Domestic Expenditure	**2,021.8**	**2,175.0**	**2,224.3**	**2,293.2**	**2,337.3**
Exports: goods & services	887.0	980.3	1,053.5	1,069.9	1,222.9
Imports: goods & services	1,204.9	1,233.4	1,306.0	1,238.0	1,388.7
Net Exports	-317.9	-253.0	-252.6	-168.0	-165.8
Discrepancy	38.9	-57.7	3.4	-14.7	38.5
GDP market prices	**1,742.7**	**1,864.3**	**1,975.2**	**2,110.4**	**2,209.9**
Percent Distribution of GDP					
Govt. final consumption expenditure	13.1	14.3	14.7	14.0	14.4
Private final consumption expenditure	78.1	78.5	77.4	75.1	71.8
Gross capital formation	25.2	22.6	19.0	17.7	18.8
Exports: goods & services	50.9	52.6	53.3	50.7	55.3
Imports: goods & services	69.1	66.2	66.1	58.7	62.8
Net Exports	-18.2	-13.6	-12.8	-8.0	-7.5
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

	2001	2002	2003	2004	2005
GDP in $mn					
Govt. final consumption expenditure	227.9	257.8	271.5	269.0	276.7
Private final consumption expenditure	1,350.7	1,441.3	1,487.3	1,485.1	1,453.0
Gross capital formation	447.2	423.3	364.0	344.4	372.6
Changes in inventories including discrepancy	-6.3	19.7	31.1	46.9	16.7
Gross Domestic Expenditure	**2,019.5**	**2,142.1**	**2,153.9**	**2,145.4**	**2,119.0**
Exports: goods & services	916.7	996.1	1,125.8	1,171.9	1,319.9
Imports: goods & services	1,216.2	1,248.1	1,274.5	1,179.4	1,252.0
Net Exports	-299.6	-252.0	-148.7	-7.6	67.9
Discrepancy	25.7	-55.5	0.7	-39.0	-19.4
GDP market prices	**1,745.7**	**1,834.6**	**2,005.9**	**2,098.8**	**2,167.5**
Percent Distribution of GDP					
Govt. final consumption expenditure	13.1	14.1	13.5	12.8	12.8
Private final consumption expenditure	77.4	78.6	74.1	70.8	67.0
Gross capital formation	25.6	23.1	18.1	16.4	17.2
Exports: goods & services	52.5	54.3	56.1	55.8	60.9
Imports: goods & services	69.7	68.0	63.5	56.2	57.8
Net Exports	-17.2	-13.7	-7.4	-0.4	3.1
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 2004 to Dec 2005
	Dec 2003	Dec 2004	Dec 2005	Dec 2005
PRIMARY SECTOR	**135.7**	**145.1**	**141.7**	**-3.4**
Agriculture	87.7	96.2	95.9	-0.3
Sugar	8.8	9.9	9.5	-0.4
Citrus	22.1	19.0	16.0	-3.0
Bananas	45.2	52.9	58.0	5.1
Other	11.6	14.4	12.4	-2.0
Marine Products	26.5	25.1	19.6	-5.5
Forestry	3.7	1.8	1.7	-0.1
Mining & Exploration	17.8	22.0	24.5	2.5
SECONDARY SECTOR	**277.7**	**339.2**	**344.5**	**5.3**
Manufacturing	12.6	14.9	19.2	4.3
Building & Construction	232.5	258.7	263.7	5.0
Utilities	32.6	65.6	61.6	-4.0
TERTIARY SECTOR	**419.9**	**494.6**	**509.5**	**14.9**
Transport	38.4	38.7	33.3	-5.4
Tourism	73.1	84.5	71.5	-13.0
Distribution	162.4	165.2	157.6	-7.6
Other*	146.0	206.2	247.1	40.9
Personal Loans	**208.4**	**197.1**	**259.0**	**61.9**
TOTAL	**1,041.7**	**1,176.0**	**1,254.7**	**78.7**

* 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 2004 to Dec 2005
	Dec 2003	Dec 2004	Dec 2005	Dec 2005
Weighted Lending Rates				
Personal Loans	15.8	15.5	16.0	0.5
Commercial Loans	13.9	14.0	14.2	0.2
Residential Construction	12.4	12.6	13.1	0.5
Other	10.6	10.1	12.2	2.1
Weighted Average	**14.2**	**14.0**	**14.3**	**0.3**
Weighted Deposit Rates				
Demand	0.4	0.5	0.7	0.2
Savings/ Cheque	5.1	5.1	5.3	0.2
Savings	5.1	5.1	5.2	0.1
Time	7.2	7.6	7.8	0.2
Weighted Average	**4.9**	**5.2**	**5.4**	**0.2**
Weighted Average Spread	**9.3**	**8.8**	**8.9**	**0.1**

Table 9: Balance Of Payments Summary

$mn

	2003	2004	2005
CURRENT ACCOUNT	**-352.8**	**-299.7**	**-303.2**
Goods: Exports f.o.b.	631.0	612.3	636.7
Goods: Imports f.o.b.	1,044.7	-961.4	1,112.4
Trade Balance	-413.7	-349.1	-475.7
Services: Credit	424.3	470.6	602.7
Transportation	44.3	54.8	59.4
Travel*	299.4	336.1	427.3
Other Goods & Services	48.4	56.0	80.4
Gov't Goods & Services	32.2	23.8	35.6
Services: Debit	-284.9	-297.1	-319.8
Transportation	-79.4	-89.2	-100.2
Travel	-91.7	-85.2	-83.3
Other Goods & Services	-95.6	-106.4	-121.1
Gov't Goods & Services	-18.3	-16.3	-15.2
Balance on Goods & Services	-274.3	-175.6	-192.8
Income: Credit	9.1	8.7	13.6
Compensation of Employees	5.0	4.9	7.5
Investment Income	4.2	3.8	6.0
Income: Debit	-179.4	-235.7	-236.0
Compensation of Employees	-10.9	-12.4	-11.7
Investment Income	-168.5	-223.3	-224.3
Balances on Goods, Services & Income	-444.6	-402.6	-415.3
Current Transfers, n.i.e.: Credit	122.1	128.2	141.9
Current Transfers: Debit	-30.4	-25.4	-29.8
CAPITAL ACCOUNT, n.i.e.	**3.0**	**8.5**	**2.2**
Capital Account, n.i.e.: Credit	4.9	10.0	4.2
Capital Account: Debit	-1.8	-1.5	-2.0
FINANCIAL ACCOUNT, n.i.e.	**346.0**	**211.9**	**312.5**
Direct Investment Abroad	-0.7	-0.1	-2.0
Direct Investment in Belize, n.i.e.	-21.8	205.8	215.5
Portfolio Investment Assets	-0.3	-0.5	-0.4
Portfolio Investment Liabilities, n.i.e.	151.1	151.3	34.2
Financial Derivatives Assets	1.4	1.1	0.5
Financial Derivatives Liabilities	0.0	0.0	-11.1
Other Investment Assets	-26.6	-14.8	-23.2
Other Investment Liabilities	243.0	-131.0	98.9
NET ERRORS & OMISSIONS	**-56.4**	**16.7**	**24.5**
OVERALL BALANCE	**-60.1**	**-62.7**	**36.0**
RESERVE ASSETS (Minus = increase)	**60.1**	**62.7**	**-36.0**

*The method of measuring tourim earnings in 2005 was changed from using estimates based on the revised 2000 VEMS survery to actual inflows into the banking system.

Table 10: Gross Imports (CIF) by SITC Categories

($"000)

SITC Category	2001	2002	2003	2004	2005
0 Food and Live Animals	118.8	107.8	118.7	109.2	120.7
1 Beverages and Tobacco	7.7	8.3	8.9	9.8	17.4
2 Crude Materials	11.6	7.5	6.7	7.3	9.1
3 Fuels and Lubricants	159.7	139.3	161.2	184.3	236.0
Of which electricity	*16.9*	*23.8*	*28.4*	*29.7*	*40.3*
4 Animal and Vegetable Oils	3.2	3.1	3.3	3.2	3.2
5 Chemicals	71.7	85.0	82.7	76.3	88.7
6 Manufactured Goods	136.2	128.2	128.7	136.8	138.9
7 Machinery and Transport Equipment	230.5	208.5	203.7	175.9	199.8
8 Miscellaneous Manufactured Goods	75.9	80.5	103.2	81.8	101.1
9 Commodities - not classified elsewhere	0.4	0.2	0.9	0.0	0.0
Export Processing Zones	87.0	79.9	130.7	113.8	124.7
Personal Goods	4.3	3.2	3.4	2.6	2.7
Total	**906.8**	**851.5**	**952.1**	**930.8**	**1,042.4**
CFZ Direct Imports	114.5	132.0	221.3	156.6	183.8
Grand Total	**1,021.3**	**983.5**	**1,173.3**	**1,087.4**	**1,226.2**

Sources: Central Statistical Office; Central Bank

Table 11: Central Government's Domestic Debt

$'000

	Disbursed Outstanding Debt 12/31/2004	Transactions During 2004: Disbursement/ New Issues of Securities	Amortization/ Reduction in Securities	Interest Payment	Net Change in Overdraft/ Securities	Disbursed Outstanding Debt 12/31/2005
Overdraft	**91,987**	**0**	**0**	**8,943**	**4,330**	**96,317**
Central Bank	82,498	0	0	8,943	7,144	89,642
Commercial Banks	9,489	0	0	0	-2,814	6,675
Treasury Bills	**100,000**	**0**	**0**	**2,597**	**0**	**100,000**
Central Bank	72,637	0	0	1,666	548	73,185
Commercial Banks	24,847	0	0	805	-1,007	23,840
Other	2,516	0	0	126	459	2,975
Treasury Notes *	**24,000**	**0**	**0**	**2,442**	**0**	**24,000**
Central Bank	158	**0**	**0**	87	8,842	9,000
Commercial Banks	23,269	0	0	2,300	-9,000	14,269
Other	573	0	0	55	158	731
Defence Bonds	**15,000**	**0**	**0**	**1,250**	**0**	**15,000**
Central Bank	10,000	0	0	836	0	10,000
Commercial Banks	100	0	0	2	0	100
Other	4,900	0	0	412	0	4,900
Loans	**47,621**	**831**	**4,305**	**3,560**	**0**	**44,147**
DFC (Debt Restructuring)	7,934	0	536	580	0	7,398
BSSB (Housing)	678	0	16	53	0	662
GOB/US Debt Swap	11,309	0	1,169	308	0	10,140
Cohune Walk Loan Bze Bank	2,700	0	297	389	0	2,403
BBL (Infrastructure dev.)	24,000	0	2,155	2,120	0	21,845
Guardian Life Bze	1,000	0	0	90	0	1,000
Atlantic Bank Airstrip Loan	0	831	132	20	0	699
TOTAL	**278,608**	**831**	**4,305**	**18,792**	**4,330**	**279,464**

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 2004/2005	Estimated Budget 2005/2006	Jan-Dec 2003	Jan-Dec 2004	Jan-Dec 2005
TOTAL REVENUE & GRANTS (1+2+3)	**482,490**	**567,088**	**453,406**	**523,639**	**531,910**
1).Current revenue	456,222	539,241	422,190	461,993	511,440
Tax revenue	416,017	494,189	370,231	419,308	458,028
Income and profits	99,811	135,579	86,282	99,715	120,292
Taxes on property	4,535	9,506	2,423	3,810	5,980
Taxes on goods and services	140,997	146,159	118,657	145,534	158,375
Int'l trade and transactions	170,674	202,945	162,869	170,249	173,380
Non-Tax Revenue	40,205	45,052	51,959	42,685	53,413
Property income	5,419	3,600	2,274	6,419	8,738
Licenses	10,333	12,343	0	9,866	11,842
Transfers from NFPE's	15,072	20,472	0	16,664	19,308
Repayment of old loans	793	653	18,541	893	3,900
Rent & Royalties	8,589	7,984	31,144	8,843	9,624
2). Capital revenue	11,405	3,500	24,829	26,478	6,390
3). Grants & Debt Service Receipts	14,863	24,347	6,387	35,168	14,079
TOTAL EXPENDITURE (1+2)	**684,012**	**634,094**	**669,446**	**648,898**	**673,827**
1). Current Expenditure	532,994	500,751	393,048	467,985	556,187
Wages and Salaries	212,643	235,600	186,672	207,925	221,254
Pensions	32,280	36,425	26,682	31,087	39,754
Goods and Services	78,526	75,027	74,406	75,184	89,908
Interest & Other Payments	175,868	118,340	77,403	121,489	170,262
Subsidies & current transfers	33,677	35,359	27,885	32,300	35,009
2). Capital Expenditure	151,018	133,343	276,398	180,913	117,640
Capital II (local sources)	51,069	75,132	89,627	59,659	50,045
Capital III (foreign sources)	94,949	58,211	99,142	87,754	55,323
of which Hurricane ERF	0	0	2,454	0	0
Capital Transfer & Net Lending	0	0	49,175	0	7,272
Unidentified Expenditure	5,000	0	36,000	33,500	5,000
CURRENT BALANCE	**-76,773**	**38,490**	**29,142**	**-5,992**	**-44,747**
OVERALL BALANCE	**-201,523**	**-67,006**	**-216,040**	**-125,259**	**-141,917**
PRIMARY BALANCE	-25,655		-138,637	-3,770	28,345
FINANCING	**201,523**	**0**	**213,586**	**125,259**	**141,917**
Net Privatization Proceeds	29,000		-104,000	-10,000	44,391
Domestic Financing	-306,772		-62,396	-39,351	-24,116
Central Bank	-165,926		76,290	74,574	144
Net Borrowing	-9,216		101,739	-399	26,990
Change in Deposits	-156,710		-25,449	74,973	-26,846
Commercial Banks	-9,458		-1,599	18,776	-20,414
Net Borrowing	25,232		-8,002	26,564	-14,217
Change in Deposits	-34,690		6,403	-7,788	-6,197
Transaction with DFC (debt)	-130,000		-127,998	-130,000	0
Other Domestic Financing	-1,388		-9,089	-2,701	-3,846
Financing Abroad	457,355		380,712	174,862	122,075
Disbursements	706,240		499,488	432,916	427,856
Amortization	-247,735		-100,876	-248,054	-295,765
Interest & Penanties prepaymt	0		0	0	0
Sinking Fund & JCF	-1,150		-17,900	-10,000	-10,016
Other	21,940		-730	-252	-433

Sources: Ministry of Finance, Central Bank of Belize

Table 13: Public Sector External Debt by Creditors

$'000

	Disbursed Outstanding Debt 31/12/2004	Disbursements	Principal Payments	Interest & Other Payments	Parity Change	Disbursed Outstanding Debt 31/12/2005
CENTRAL GOVERNMENT	**1,624,433**	**427,856**	**295,765**	**130,883**	**-3,765**	**1,763,607**
Banco Nacional de Comercio Exterior	8,999	0	0	546	0	8,999
Fondo de Financ. de las Exportaciones	980	0	218	56	0	762
Government of Great Britain	12,359	0	3,429	0	-1,158	7,772
Government of Peoples Rep. of China	116	0	58	0	0	58
Government of the United States*	7,793	0	1,418	280	0	6,375
Government of Trinidad and Tobago	24	0	4	1	0	20
Kuwait Fund for Arab Economic Dev	20,581	0	1,157	1,071	207	19,631
Republic of China	198,590	62,044	14,558	10,122	0	246,076
Caribbean Development Bank	84,441	18,257	2,884	3,597	0	99,814
European Economic Community	19,889	0	681	123	-2,571	16,637
European Investment Bank	1,052	0	167	19	-134	752
Inter-American Development Bank	140,831	6,196	5,014	5,885	0	142,013
International Fund for Agric. Dev.	2,065	736	683	81	-115	2,003
Intl. Bank for Reconstruction & Dev.	67,672	1,498	6,552	2,569	6	62,625
Opec Fund for Int'l. Development	7,833	0	633	382	0	7,199
Allfirst Bank of Maryland	2,940	0	840	157	0	2,100
Belize Bank Ltd.	0	12,668	0	0	0	12,668
Bear Stearns & C0. Inc.	450,000	273,366	14,294	50,427	0	709,072
BWS Finance Limited	0	19,844	0	0	0	19,844
Russer Financial Ltd.	0	10,000	0	0	0	10,000
Citibank, Trinidad & Tobago**	12,000	0	14,277	1,101	0	8,571
Citicorp Merchant Bank Ltd.	48,571	0	2,857	4407	0	45,714
CMFS Note Holders	157,910	0	157,910	9,938	0	0
International Bank of Miami ++	97,869	3,868	0	10,351	0	101,737
KBC Bank NV	5,607	0	1,869	286	0	3,738
Manufacturers & Traders Trust Co.	0	7,056	0	225	0	7,056
Provident Bank & Trust of Belize	260	0	143	21	0	117
Royal Merchant Bank	214,523	12,322	5,955	26,161	0	220,891
Salomon Smith Barney	58,200	0	58,200	2,692	0	0
Belize Estate and Co. Ltd.	1,628	0	1,302	313	0	326
Caterpillar Financial Services Corp.	1,326	0	475	52	0	850
Export Import Bank of the United States	373	0	187	23	0	187
NON-FINANCIAL PUBLIC SECTOR	**12,125**	**0**	**2,822**	**1,128**	**88**	**46,331**
Kuwait Fund for Arab Economic Dev	8,141	0	697	328	88	7,532
CIBC Bank & Trust Company	3,984	0	1,646	418	0	2,338
Amtrade International Bank of Georgia	0	0	0	0	0	2,060
Caribbean Development Bank	0	0	479	382	0	34,401
FINANCIAL PUBLIC SECTOR	**64,780**	**0**	**8,425**	2,387	**-1,149**	**55,205**
Caribbean Development Bank	43,343	0	3,647	1,738	-15	39,681
European Economic Community	640	0	34	5	-71	535
European Investment Bank	11,432	0	612	320	-1,063	9,757
Citibank, Trinidad & Tobago	1,250	0	1,250	27	0	0
Citicorp Merchant Bank Ltd.	1,250	0	1,250	27	0	0
Paine Webber Real Estate Securities Inc	1,900	0	100	31	0	1,800
N.V. De Smet S.A. Engineers	2,825	0	1,130	177	0	1,695
Government of the United States	2,140	0	403	61	0	1,737
GRAND TOTAL	**1,701,338**	**427,856**	**307,013**	**134,397**	**-4,826**	**1,865,143**

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

**Yen Swap conversion loss of $10.8mn was categorized as amortization in GOB's accounts in June 2005.

++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 November 04, US$30mn due in Dec 04 and US$15.3mn due in Jan 05.

CENTRAL BANK OF BELIZE

2005 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 2005, and the related statements of income, cash flows and changes in shareholders' equity 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 audit.

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 2005, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Horwath Belize

16 February 2006

CENTRAL BANK OF BELIZE
BALANCE SHEET
At 31 December 2005

In Belize dollars.

Assets	Notes	2005	2004
APPROVED EXTERNAL ASSETS			
Balances and deposits with foreign bankers and Crown Agents	4	63,882,197	31,821,054
Reserve Tranche and balances with the International Monetary Fund	5	17,087,886	18,195,786
Other foreign credit instruments		20,800,000	13,220,000
Accrued interest and cash intransit	6,2k	11,401,682	11,242,717
Marketable securities issued or guaranteed by foreign government and international financial institutions.	7	2,000,000	2,000,000
	3b	115,171,765	76,479,557
BELIZE GOVERNMENT SECURITIES	8	92,184,594	82,795,204
BELIZE GOVERNMENT CURRENT ACCOUNT	9	88,536,782	80,659,575
LOANS TO PUBLIC SECTOR	10	27,521,712	32,521,712
BALANCES WITH LOCAL BANKERS AND CASH ON HAND		68,795	84,329
OTHER ASSETS	11	8,496,711	6,799,470
PROPERTY AND EQUIPMENT	2f, 12	30,633,963	31,142,567
TOTAL ASSETS		**362,614,322**	**310,482,414**

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

CENTRAL BANK OF BELIZE
BALANCE SHEET
At 31 December 2005 (Continued)

In Belize dollars.

LIABILITIES, CAPITAL AND RESERVES	**NOTES**	**2005**	**2004**
DEMAND LIABILITIES			
Notes and coins in circulation		143,089,348	141,949,684
Deposits by licensed financial institutions	13	112,341,444	87,893,652
Deposits by and balances due to Government and public sector entities in Belize		73,416,067	13,746,883
Deposits by international agencies	14	2,440,333	2,703,774
		331,287,192	246,293,993
BALANCES DUE TO CARICOM CENTRAL BANKS		295,942	87,918
OTHER LIABILITIES	15	3,184,518	3,981,698
COMMERCIAL BANK DISCOUNT FUND	16	1,480,663	1,656,124
GOVERNMENT SINKING FUND	17	-	20,210,971
BELIZE CREDIT FACILITY	18	-	8,653,769
LOANS PAYABLE TO FOREIGN INSTITUTIONS	19	-	2,500,000
TOTAL LIABILITIES		336,248,315	283,384,473
REVALUATION ACCOUNT	2i,20	2,081,924	3,658,886
CAPITAL ACCOUNT			
Paid up capital (Authorized capital $10,000,000)		10,000,000	10,000,000
GENERAL RESERVE FUND	21	14,284,083	13,439,055
TOTAL LIABILITIES, CAPITAL AND RESERVES		**362,614,322**	**310,482,414**

Campbell) GOVERNOR
)
) DIRECTOR
)
) 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 2005

In Belize dollars.	NOTES	2005	2004
INCOME			
Interest			
Approved external assets		5,019,698	2,953,341
Advances to government		9,497,530	8,560,116
Local securities	2d	954,282	800,825
Loans to statutory bodies		697,900	2,751,986
		16,169,410	15,066,268
Discounts on local securities		2,100,659	2,383,557
Commission and other income		1,481,748	2,075,290
TOTAL INCOME		19,751,817	19,525,115
LESS: Interest expense		(832,743)	(3,774,953)
Income from operations		18,919,074	15,750,162
EXPENDITURE			
Printing of notes and minting of coins	2b	(1,361,288)	(1,248,113)
Salaries and wages, including superannuation contributions and gratuities		(5,698,289)	(5,153,161)
Depreciation		(860,755)	(881,583)
Administrative and general		(2,548,460)	(2,535,818)
Total expenditure		(10,468,792)	(9,818,675)
NET PROFIT		8,450,282	5,931,487
NET PROFIT TRANSFERABLE TO THE GENERAL RESERVE FUND AND CONSOLIDATED FUND		8,450,282	5,931,487
Transfer to general reserve fund in accordance with section 9(1) of the Act	21	(845,028)	(593,149)
Balance credited to the accountant general for the consolidated revenue fund		7,605,254	5,338,338

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

CENTRAL BANK OF BELIZE
STATEMENT OF CHANGES IN EQUITY
At 31 December 2005

In Belize dollars.

	Share Capital	Revaluation Reserve	General Reserve	Accumulated Profits
At 1 January 2004	10,000,000	2,872,621	12,845,906	-
Net profit	-	-	-	5,931,487
Gain on revaluation	-	786,265	-	-
Transfer to Government of Belize	-	-	-	(5,338,338)
Transfer to General Reserve Fund	-	-	593,149	(593,149)
At 31 December 2004	10,000,000	3,658,886	13,439,055	-
Net profit	-	-	-	8,450,282
Loss on revaluation	-	(1,576,962)	-	-
Transfer to Government of Belize	-	-	-	(7,605,254)
Transfer to General Reserve Fund	-	-	845,028	(845,028)
At 31 December 2005	10,000,000	2,081,924	14,284,083	-

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 2005

In Belize dollars.

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net profit transferred to the general reserve fund	845,028	593,149
Adjustment to reconcile net profit to net cash provided by operating activities:		
Amortization	57,815	57,815
Depreciation	860,755	881,583
Loss/(gain) on disposal	16,327	(10,649)
Changes in assets and liabilities that provided (used) cash:		
Other assets	(1,755,056)	(1,026,625)
Other liabilities	(797,180)	(3,260,265)
Revaluation account	(1,576,962)	786,265
Net cash provided by operating activities	(2,349,273)	(1,978,727)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Belize Government current account	(7,877,207)	(8,214,793)
Loans to public sector/commercial bank	5,000,000	(17,397,626)
Acquisition of property and equipment	(412,204)	(229,207)
Proceeds from sale of assets	43,726	11,000
Reserve tranche in the IMF	1,043,772	(565,496)
Net cash (used in) investing activities	(2,201,913)	(26,396,122)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Notes and coins in circulation	1,139,664	14,322,725
Deposits by licensed financial institutions	24,447,792	12,821,925
Deposits by and balances due to Governments and Public Sector entities	59,669,184	(41,806,124)
Government sinking fund	(20,210,971)	(33,999,099)
Deposits by international agencies	(263,441)	(2,265,335)
Balances due to Caricom central banks	208,025	(732,214)
Commercial Bank Discount Fund	(175,461)	(159,519)
Belize credit facility	(8,653,769)	692,610
Loan repayment made to foreign institutions	(2,500,000)	(5,000,000)
Net cash (used in) provided by financing activities	53,661,023	(56,125,031)

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 2005 (Continued)

In Belize dollars.

	2005	2004
NET DECREASE IN CASH AND CASH EQUIVALENTS	49,109,837	(84,499,880)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	136,259,139	220,759,019
CASH AND CASH EQUIVALENTS, END OF YEAR	185,368,976	136,259,139
CASH AND CASH EQUIVALENTS COMPRISE THE FOLLOWING:		
EXTERNAL ASSETS:		
Balances and deposits with foreign bankers and Crown Agents	65,882,197	33,821,054
Other foreign credit instruments	20,800,000	13,220,000
Accrued interest and cash intransit	11,401,682	11,242,717
Balance with the International Monetary Fund	5,031,708	5,095,835
	103,115,587	63,379,606
LOCAL ASSETS:		
Cash and bank balances	68,795	84,329
Government of Belize Treasury Bills	73,184,594	72,637,204
Government of Belize Treasury Notes	9,000,000	158,000
	185,368,976	136,259,139

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

In Belize dollars.

1. GENERAL INFORMATION

The Central Bank of Belize, (the "Bank"), was established by the Central Bank of Belize Act 1982 (the Act) and has its principal place of business in Belize City, Belize.

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 Financial Reporting Standards adopted by the International Accounting Standards Board and the Central Bank of Belize Act.

a. Measurement base

The financial statements are prepared on the historical cost basis, modified by the revaluation of certain assets and liabilities as identified in specific accounting policies below.

b. Revenue and expenses

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. Expenses are recognized in the income statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the Property, Plant and Equipment in a state of efficiency has been charged to income in arriving at the profit for the year.

Interest income and expense are recognized in the income statement for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price. Interest income includes coupons earned on fixed income investment and trading securities and accrued discount and premium on treasury bills and other discounted instruments. Interest income is suspended when loans become doubtful of collection. Such income is excluded from interest income until received.

Miscellaneous income and expenses are recognized on an accrual basis.

c. Inventories

Inventories are carried at lower of cost or realizable value. Cost is determined on a First in First Out basis.

In Belize dollars.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. Changes in accounting policies

There have been no changes in accounting policies during the year. All policies have been applied on a basis consistent with the prior year.

e. Financial instruments

Financial assets and financial liabilities are recognized on the Bank's balance sheet when the Bank becomes a party to the contractual provisions of the instrument.

International Monetary Fund balances

The Bank transacts with the International Monetary Fund (IMF) in its own right rather than as an agent for the Government of Belize. All transactions by the Bank with the IMF have been included in these financial statements on that basis.

Quota with the IMF is recorded by the Bank as an asset. Exchange gains and losses arising on revaluation of IMF assets at the exchange rate applying at balance date as published by the IMF are recognized in the Revaluation account in accordance with section 49 of the Act.

Foreign marketable securities

These consist of debentures issued by the Government of Dominica and are recorded in the balance sheet at cost.

Belize government securities

The Bank's investment portfolio consists of treasury bills, treasury notes and Belize Defense Bonds purchased from Government of Belize. Treasury bills are carried at amortized cost. All other investments are carried at cost which approximates market value.

Loans to government

Loans to Government represent direct provisional advances to Government of Belize under Section 34 of the Central Bank of Belize Act 1982.

In Belize dollars.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. Financial instruments (continued)

Loans to public sector

Loans to the public sector are carried at the original amount less an allowance for any uncollectable amounts. A provision for loan impairment is established if there is objective evidence that the Bank will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the estimated recoverable amount.

Other financial assets and liabilities

Local and foreign currency cash, deposits and short-term advances are recognized on settlement date.

f. 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%

In Belize dollars.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g. Employee benefits

Pension

The Bank operates a defined benefit pension scheme for employees. Contributions are made by the Bank and employees to a separately administered fund. The cost of providing benefits under this plan is determined using an accrued benefit valuation method.

Gratuity

The Bank is liable to pay gratuity for contract employees who are not eligible for pension scheme. In order to meet this liability, a provision is carried forward in the balance sheet, equivalent to an amount calculated on 20% of the annual salary for each completed year of service, commencing from the first year of service. The resulting difference between the brought forward provision at the beginning of a year and the carried forward provision at the end of a year is dealt within the income statement. The gratuity liability is neither funded nor actually valued. This item is grouped under other liabilities in the Balance Sheet.

h. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i. 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.

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.

j. Valuation of securities

Securities are stated at the lower of cost or market value. Realized and unrealized gains and losses arising from changes in the market value of securities or the par value of the Belize dollar are transferred to the Revaluation Account.

k. Accrued interest and cash intransit

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

In Belize dollars.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l. 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

m. Certain accounts from prior year 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 2005 and 2004 total approved external assets approximated 35 percent and 31 percent of such liabilities respectively.

4. BALANCES AND DEPOSITS WITH FOREIGN BANKERS

Included in foreign deposits is $61,255,724 of restricted collateral deposits which are held in designated reserve accounts with Bank of New York and are primarily used to secure payments on notes payable to international lenders by Government of Belize.

5. INTERNATIONAL MONETARY FUND - RESERVE TRANCHE

Belize became a member of the International Monetary Fund in 1982 with a subscription of SDR 7,200,000 of which SDR 1,320,600 was paid in foreign currency (The Reserve Tranche) and the remainder in Belize dollars made up of currency and non-interest bearing promissory notes.

In Belize dollars.

5. INTERNATIONAL MONETARY FUND - RESERVE TRANCHE CONTINUED

In 1982, this Reserve Tranche was purchased by the Bank from the Government of Belize.

At 31 December 2005, Belize's subscriptions to the International Monetary Fund amounted to SDR 1,760,237 and the Bank's Reserve Tranche amounted to SDR 4,217,600. The Reserve Tranche which earns interest is included in approved external assets in the financial statements at the exchange rate of BZ$2.8585 to SDR 1.0 at 31 December 2005 (2004 - Bz$3.1060 to SDR 1.0).

6. ACCRUED INTEREST AND CASH TRANSIT

Accrued interest and cash intransit consist of:

	2005	2004
Accrued interest	277,201	978,465
Cash intransit	11,124,481	10,264,252
	11,401,682	11,242,717

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

These securities, which are carried at cost, consist of 3% debentures issued by the Government of Dominica and maturing in 2014. The Bank has the intent and ability to hold these securities to maturity.

8. BELIZE GOVERNMENT SECURITIES

Belize Government securities consist of:

	2005	2004
Treasury Bills	73,184,594	72,637,204
Treasury Notes	9,000,000	158,000
Belize Defense Bonds	10,000,000	10,000,000
	92,184,594	82,795,204

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 2005 and 2004 the Bank's aggregate holding of Belize Government securities approximated 3.80 times and 3.53 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.

9. 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 2005 and 2004 advances to Government represent approximately 99 percent and 96 percent of the authorized limit respectively.

In Belize dollars.

10. LOANS TO THE PUBLIC SECTOR

	2005	2004
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
11% p.a. short-term loan maturing on 30 June 2006, guaranteed by the Government of Belize. Interest has been waived since February 2005.	27,521,712	27,521,712
	27,521,712	32,521,712

11. OTHER ASSETS

Other assets consist of:

	2005	2004
Inventory of note and coins	3,673,027	1,976,485
Prepayments and accrued interest	3,011,275	3,113,519
Accounts receivable	1,198,956	1,094,290
Museum endowment fund	520,335	578,150
Other	150,933	94,841
	8,554,526	6,857,285
Less: amortization	(57,815)	(57,815)
	8,496,711	6,799,470

Museum endowment fund is amortized over 10 years commencing 2004.

Included in accounts receivable is an amount of $585,945 due from Guyana under the Caricom Multilateral Clearing Facility. The loan is being restructured and management believes the carrying amount of the loan will be repaid in full. Interest has not been recognized on the loan since October 2004.

In Belize dollars.

12. PROPERTY AND EQUIPMENT

Cost	Property	Furniture	Equipment	Vehicles	Work in Progress	Total
At 1 January 2005	30,441,554	1,039,276	4,613,003	346,649	175,416	36,615,898
Additions	-	20,307	287,851	96,990	7,057	412,205
Reclassified as equipment	-	-	182,473	-	(182,473)	-
Disposals	-	(11,434)	(144,798)	(64,300)	-	(220,532)
At 31 December 2005	30,441,554	1,048,149	4,938,529	379,339	-	36,807,571
Accumulated Depreciation						
At 1 January 2005	(1,706,477)	(693,385)	(2,902,120)	(171,349)	-	(5,473,331)
Additions	(280,626)	(76,772)	(452,818)	(50,540)	-	(860,756)
Disposals	-	10,238	117,250	32,991	-	160,479
At 31 December 2005	(1,987,103)	(759,919)	(3,237,688)	(188,898)	-	(6,173,608)
Net book value						
At 1 January 2005	28,735,077	345,891	1,710,883	175,300	175,416	31,142,567
At 31 December 2005	28,454,451	288,230	1,700,841	190,441	-	30,633,963

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%, 8% effective 1 May 2005, 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.

In Belize dollars.

14. DEPOSITS BY INTERNATIONAL AGENCIES

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

	2005	2004
Commission of the European Communities	1,036,584	1,316,408
International Monetary Fund	137,015	148,878
Caribbean Development Bank	32,641	24,705
Inter-American Development Bank	324,263	400,293
International Bank for Reconstruction and Development	716,450	716,450
European Union	193,380	97,040
	2,440,333	2,703,774

15. OTHER LIABILITIES

	2005	2004
Interest payable	-	916,908
Severance and gratuities	709,726	714,165
Abandoned property	1,622,430	1,424,818
Other	852,362	925,807
	3,184,518	3,981,698

16. COMMERCIAL BANK DISCOUNT FUND

Commercial Bank Discount Fund (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. The Bank is expected to accumulate significant net interest earnings over the repayment term of the USAID loan to form a permanent fund. 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 2005, reflows onlent to the Foundation amounted to $1.6 million net of repayments (2004 - $1.6 million). Reflows onlent to DFC amount to $215,462 net of repayments (2004 - $479,279).

At 31 December 2005, the Fund is comprised as follows:

	2005	**2004**
Loan payable to USAID	(1,737,051)	(2,139,937)
Loans receivable from institutions	1,825,148	2,088,965
	88,097	(50,972)
Interest paid to USAID	2,192,029	2,130,830
Interest received from institutions	(3,760,789)	(3,735,982)
	(1,480,663)	(1,656,124)

17. GOVERNMENT SINKING FUND

Government Sinking Fund consisted of US$3,164,752 and US$6,940,734 invested by the Bank on behalf of the Government with respect to a bond issue that matured in 2005.

In Belize dollars.

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. The loan was repaid in April 2005.

19. LOAN PAYABLE TO FOREIGN INSTITUTION

Loan payable to foreign institution consists of:

	2005	2004
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. The loan was repaid in May 2005.	-	1,250,000
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. The loan was repaid in May 2005.	-	1,250,000
	-	2,500,000

These loans were guaranteed by the Government of Belize.

In Belize dollars.

20. REVALUATION ACCOUNT

The Revaluation Account has been set up in compliance with Section 49 of the Act, in accordance with which profits are not credited to the General Reserve Fund or paid to the consolidated Revenue Fund whenever the Revaluation Account shows a net loss. Such profits are to be credited to the Revaluation Account in an amount sufficient to cover the loss.

	2005	2004
Net gain on revaluation of Reserve Tranche in the International Monetary Fund	1,462,169	787,511
Net gain on revaluations during the year	619,755	2,871,375
	2,081,924	3,658,886

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.

	2005	2004
Balance at beginning of year	13,439,055	12,845,906
Transfer from net profit	845,028	593,149
Balance at end of year	14,284,083	13,439,055

In Belize dollars.

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 $179,828 (2004 - $162,106) 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.

An actuarial valuation was done at 31 December 2004 but not finalized. The last finalized actuarial valuation as 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. Pensions will not increase in the course of payments.

Under the plan, the employees are entitled to retirement benefits varying between 60 and 70 per cent of final salary on attainment of a retirement age of 60. No other post-retirement benefits are provided.

23. RELATED PARTY TRANSACTIONS

Transactions with governmental departments

In the normal course of its operations, the Bank enters into transactions with related parties. Related parties include the Government of Belize and various government departments and entities. All transactions are carried out with reference to market criteria.

Transactions entered into include:

a. Acting as the fiscal agent, banker and financial advisor to the government; the Bank is the depository of the government, its agents and institutions, and provide banking services to government and government departments.

b. Acting as the agent of the government, its agencies, and institutions, the Bank provides guarantees, and participates in loans to government and related institutions.

In Belize dollars.

23. RELATED PARTY TRANSACTIONS CONTINUED

c. The Bank does not ordinarily collect any commission, fees, or other charges for services it renders to the government or related entities, except in the case of banking and financial services.

d. Acting as the agent of government, the Bank issues government securities, purchases unsubscribed portions of any issue and amounts set aside for the Bank.

e. As the agent of the government, the Bank manages public debt and foreign reserves.

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2005	2004
Short-term benefits	888,078	853,191
Post-employment benefits	79,426	92,990
Termination benefits	20,448	24,343
	987,952	970,524

Loans and advances to key management personnel

As at 31 December 2005, an amount of $110,059 (2004 - $ 44,665) was receivable from key managerial personnel as approved advances made by the Bank.

24. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms-length transaction. When a financial instrument is traded in an organized and liquid market that is able to absorb a significant transaction without moving the price against the trader, quoted market values represent fair value.

Financial Assets and Liabilities

All financial assets and liabilities are valued at either quoted market prices or prices derived from market yield curves, as described in the Bank's accounting policies, except as detailed below:

In Belize dollars.

24. FAIR VALUE OF FINANCIAL INSTRUMENTS CONTINUED

Currency in Circulation

The fair value of Currency in Circulation is considered to be its face value as reported in the financial statements.

Deposits

The carrying amounts of deposits are considered to approximate their fair value as they are payable on demand.

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.

25. CREDIT RISK

Credit risk is the risk of loss arising from a counterparty to a financial contract failing to discharge its obligations. The Bank manages credit risk by selecting counterparties of high credit ratings. Credit risk is monitored, reviewed and analyzed to minimize the risk of loss.

26. COMMITMENTS AND CONTINGENCIES

a. The Bank acted as guarantor to the Government of Belize in a United States dollar/Japanese Yen currency swap agreement with Citicorp which terminated in June 2005. Periodically, the swap agreement was valued and margin calls made, if necessary. 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. At the termination date, a margin call of US$1.8 million was made contributing to an overall loss experience of US$3.5 million over the term of the agreement. This loss has been charged to government's account with the Bank.

b. The Bank is contingently liable as co-signer with the Government of Belize on promissory notes amounting to US$50.8 million with International Bank of Miami.

In Belize dollars.

27. The financial statements were approved by the Board of Directors and authorized for issue on 27 April 2006.

Cover Image: The cover showcases some of the main components of the Belizean economy. Agriculture - sugar, citrus, banana, papaya and grains. Marine Products - farmed shrimp. Tourism - Eco-tourism and cruise ship tourism.

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