Central Bank of Belize

25th Anniversary
1982 - 2007

Annual Report

2007

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CENTRAL BANK OF BELIZE

Twenty-sixth Annual Report

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Statement of Accounts

For the Year Ending 31 December 2007

Abbreviations and Conventions
used in this Report

ACP	African, Caribbean and Pacific
AML/CFT	Anti-Money Laundering/Countering the Financing of Terrorism
APR	Annual Percentage Rate
BEL	Belize Electricity Limited
BFIA	Banks and Financial Institutions Acts, 1995
BGA	Banana Growers Association
BMC	Belize Mortgage Company
BNE	Belize Natural Energy Ltd.
BPM	Balance of Payments Manual
BSI	Belize Sugar Industries Limited
BSSB	Belize Social Security Board
BTB	Belize Tourism Board
BTIA	Belize Tourism Industry Association
BTL	Belize Telemedia Ltd.
BWSL	Belize Water Services Limited
CARICOM	Caribbean Community and Common Market
CABEI	Central American Bank for Economic Integration
CARTAC	Caribbean Regional Technical Assistance Centre
CAFTA-DR	Central American Free Trade Agreement and Dominican Republic
CBB	Central Bank of Belize
CBI	Caribbean Basin Initiative
CDB	Caribbean Development Bank
CEMLA	Center of Monetary Studies for Latin America
CFZ	Corozal Free Zone
CGA	Citrus Growers Association
CIF	Cost Insurance and Freight
CPI	Consumer Price Index
CPBL	Citrus Products of Belize Ltd.
CQ	Complimetary Quota
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
ERM	Enterprise Risk Management
EU/EEC	European Union
FAO	Food and Agriculture Organization
FOB	Free on Board
FSTV	Fort Street Tourism Village
FY	Fiscal Year
GDP	Gross Domestic Product
GOB	Government of Belize
GST	General Sales Tax
HIPC	Heavily Indebted Poor Countries
IBA	International Banking Act
IBRD	International Bank for Reconstruction and Development
IDB/IADB	Inter-American Development Bank
INTELCO	International Telecommunication Company
IMF	International Monetary Fund
ITD	Information Technology Department
LDC	Less Developed Countries
NICH	National Institute of Culture and History
NHI	National Health Insurance
NFC	Not from concentrate
OECD	Organisation for Economic Cooperation and Development
OECS	Organisation of Eastern Caribbean States
OPEC	Organisation of the Petroleum Exporting Countries
PACT	Protected Area Conservation Trust
PGIA	Phillip Goldson International Airport
ps	Pound solid
pps	Per pound solid
RECONDEV	Reconstruction and Development Corporation
ROC	Republic of China (Taiwan)
SDR	Special Drawing Rights
SIB	Statistical Institute of Belize
SIF	Social Investment Fund
SITC	System of International Trade Classification
TIBoM	The International Bank of Miami
UHS	Univeral Health Services
UK	United Kingdom
US/USA	United States of America
VAT	Value Added Tax
VEMS	Visitor Expenditure Motivation Survey
WTI	West Texas Intermediate
WTO	World Trade Organisation

Notes and Conventions:

-- $ refers to the Belize dollar unless otherwise stated
-- mn denotes million
-- bn denotes billion
-- The figures for 2007 in this report are provisional, and the figures for 2006 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 30, 2008

Hon. Dean Barrow
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, 2007, 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, 2007

BOARD OF DIRECTORS

SYDNEY CAMPBELL
Vice Chairman

MARION PALACIO

MICHEL CHEBAT

JAIME BRICEÑO

ROBERT SWIFT

JOSEPH WAIGHT
Financial Secretary

PRINCIPAL OFFICERS

SYDNEY CAMPBELL
Governor

MARION PALACIO
Deputy Governor

ORNEL BROOKS
Chief of Security

Rabey Cruz
Director, Information Technology

MARILYN GARDINER
Director, Banking & Currency

SUAD HOLDER
Director, Internal Audit

CAROL HYDE
Director, Human Resources & Administration

NERI MATUS
Director, Financial Sector Supervision

HOLLIS PARHAM
Director, Finance

CHRISTINE VELLOS
Director, Research

TABLE OF CONTENTS

LIST OF TABLES

LIST OF CHARTS

LIST OF BOXES

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 regulate and encourage the development of the financial system and to formulate economic policies that foster monetary and financial stability, confidence and economic growth. The Bank is committed to serving the interest of the people of Belize through highly motivated and skilled professionals who operate under the ethos of integrity, efficiency and transparency.***

In the pursuit of its mission, the Bank sets a number of goals and operating objectives. These are listed below:

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.
- 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 and registration of credit unions.
- 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 (BFIA) and 21 b (2) of the International Banking Act (IBA).
- Promoting and conducting anti money-laundering surveillance of financial institutions licensed under the BFIA, IBA and the Credit Unions Act.

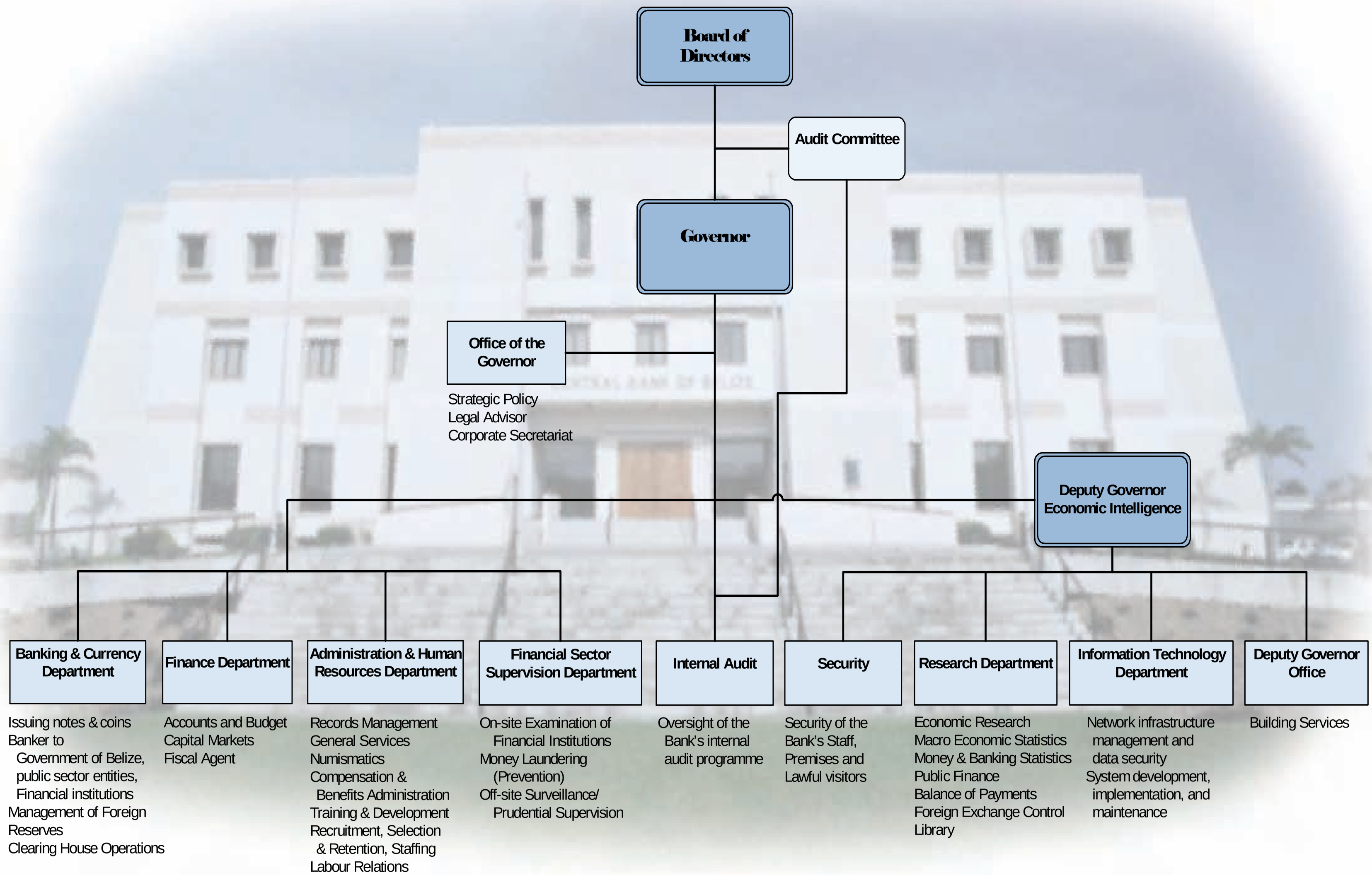
Research

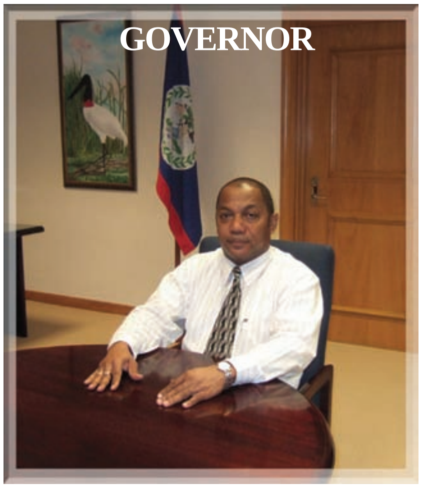
- Monitoring economic activities in Belize on a continuing basis.
- Conducting focused economic research on the Belizean economy and aspects pertaining to its development.
- Maintaining the Bank's library of Information.
- Preparing monthly, quarterly and annual economic reports.
- Processing and monitoring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

Other Support Operations

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

FUNCTIONAL CHART





Governor, Sydney J. Campbell

L to R: Ruth Perez, Noelly Pariente

L to R: Effie Ferrera, Suad Holder

L to R: Rolando Castellanos, Rene Montero, Rabey Cruz, Marcos Marin

L to R: Front: Claudine Gordon, Diedra Moses, Shanelle Moreira, Karlynn Lopez
Middle: Diana Pott, Cynthia Brooks, Sheree Smiling-Craig, Tanya Williams
Back: Tiffany Plunkett, Carol Hyde, Noela Gillett-Watler - - Missing: Kesha Young

L to R: Michelle Estell, Thilda Weller, Shanelle Kingston, Jeanette Neal, Hollis Parham, Therese Dawson, Sheree Andwerin, Angela Wagner, John Hertular - - Missing: Candice Anderson, Shannon Noralez

BANKING AND CURRENCY

L to R: Front: Marilyn Gardiner, Jodie Myvette, Theodora Andrews, Teresa Busch
Middle: Edward Baptist, Luisa Marin, Primrose Nunez, Michelle Bennett, Ervin Matthews
Back: Ivy Whiskey, Rafiah Flowers, Alice Williams, Maxine Campbell, Jeffery Ali
Missing: Patricia Waight

L to R: Front: Florita Baizar, Nadia Usher, Ethel Arnold, Arlene Gladden, Shelmadine Skyers - - Middle: Cheryl Cardinez, Ramon Hernandez, Carol Hyde, Carmita Gabb, Sherie Gonzales - - Back: Jacinto Luna, Marcia Reneau, Clayton Ogaldez, Basil Brannon, Marlon Garnett, Arturo Domingues - - Missing: Thelma Palacio, Ulanee Pasos

L to R: Front: Shauvina Henry, Braulio Contreras, Neri Matus - - Middle: Caroline Joseph, Adrian Arana, Jolene Castillo-Vargas, Curlette Johnson, Elston Pollard, Diane Gongora, Wendy Gillett, Leon Palacio - - Back: Angela Reneau, Barrington Sutherland, Kendra Dyer, Sharette Bradley, Carolyn Morris, Leonard Linares, Javier Navarro, Marlowe Neal

L to R: Herman Flowers, Juan Mejia, Armando Novelo, Stephen Michael

Kenner Pascascio

L to R: Front: Theola Casimero, Christine Vellos, Azucena Quan-Novelo, Nadine Kerr. Genevieve Peters
Middle: Lylia Roberts, Julia Perrera, Patricia Perez, Brenda McCoon, Dapheen Bowen, Marlett Gomez, Emory Ford
Back: Luis Teck, Deborah Tun, Andrea Coye, Marion Palacio (Deputy Governor - Economic Intelligence), Geraldine Spencer, Kareem Michael, Karen Carbis, Sanji Cumberbatch, Nicole Sealy, Rasiel Vellos
Missing: Dapheen Bowen, Linsford Coleman, Loren Evrette, Gloria Garcia, Janelle Lord, Christopher McGann, Paula Perez, Jair Santoya, Maria Torresz, Barbara Young

L to R: Front: Michael Berry, Patrick Alvarez, Andrew Kelly, Ornel Brooks, Denise Williams, Aston Williams, Theodore Parchue
Second Row: Lloyd Robinson, Glenford Smith, Orlando Tut, Francis Casimiro, Orlando Williams, Robert Chavarria, Clive Austin, Slyvan Swift, Vicente Vargas
Thrid Row: Alex Ferguson, Francis Aldana, Moses Hernandez, Winston Anthony, Leslie Edwards, Ellis Flowers
Back: Christopher Tillett, Wallace Slusher, Robert Lanza, Kevin Morro, Phillip McKay

Table I.1: Major Economic Indicators

	2000	2001	2002	2003	2004	2005	2006	2007
POPULATION AND EMPLOYMENT								
Population (Thousands)	249.8	255.3	262.7	271.1	281.1	289.9	299.8	309.8
Employed Labour Force (Thousands)	83.7	85.9	84.7	89.2	95.9	98.6	102.2	111.8
Unemployment Rate (%)	11.1	9.1	10.0	12.9	11.6	11.0	9.4	8.5
INCOME								
GDP at Current Market Prices ($mn)	1,663.5	1,742.7	1,864.3	1,975.2	2,110.4	2,229.6	2,427.3	2,534.0
Per Capita GDP ($, Current Mkt. Prices)	6,659.3	6,826.1	7,096.7	7,285.9	7,507.2	7,691.6	8,097.3	8,180.5
Real GDP Growth (%)	13.0	5.0	5.1	9.3	4.6	3.0	5.3	1.6
Sectoral Distribution of Constant 2000 GDP (%)								
Primary Activities	15.2	14.4	13.3	16.9	17.7	17.7	15.8	13.0
Secondary Activities	18.0	17.2	17.2	15.2	15.6	14.6	17.5	18.7
Services	56.4	57.6	55.2	53.7	53.0	54.2	52.5	53.9
MONEY AND PRICES ($mn)								
Inflation (Annual average percentage change)	0.6	1.1	2.2	2.6	3.1	3.7	4.2	2.3
Currency and Demand deposits (M1)	310.2	364.8	358.1	442.6	492.2	516.1	617.8	704.4
Quasi-Money (Savings and Time deposits)	655.7	676.0	705.3	659.7	756.1	815.8	887.1	1,031.7
Money Supply (M2)	965.9	1,040.8	1,063.4	1,102.3	1,248.3	1,331.9	1,504.9	1,736.1
Ratio of M2 to GDP (%)	58.1	59.7	57.0	55.8	59.1	59.7	62.0	68.5
CREDIT ($mn)								
Commercial Bank Loans and Advances	695.4	788.5	904.6	1,056.6	1,176.5	1,254.7	1,390.5	1,599.6
Public Sector	11.1	12.9	16.0	30.0	46.3	62.4	48.6	40.8
Private Sector	684.3	775.6	888.6	1,026.6	1,130.2	1,192.3	1,341.9	1,558.8
INTEREST RATE (%)								
Weighted Average Lending Rate	15.8	15.4	14.5	14.2	14.0	14.3	14.2	14.3
Weighted Average Deposit Rate	5.0	4.3	4.5	4.9	5.2	5.5	5.8	6.0
Weighted Average Interest Rate Spread	10.8	11.1	10.0	9.3	8.8	8.8	8.5	8.3
CENTRAL GOVERNMENT FINANCES ($mn)								
Current Revenue	349.8	372.1	425.8	422.2	451.9	511.5	566.0	649.9
Current Expenditure	308.4	333.7	333.4	393.0	474.1	561.2	550.8	635.7
Current Account Surplus(+)/Deficit(-)	41.4	38.4	92.3	29.1	-22.2	-49.7	15.2	14.2
Capital Expenditure	247.5	267.4	260.3	276.4	173.2	127.1	97.7	159.0
Overall Surplus(+)/Deficit(-)	-139.9	-196.5	-108.8	-216.0	-133.6	-156.3	-47.3	-29.3
Ratio of Budget Deficit to GDP at mkt. Prices (%)	-8.4	-11.3	-5.8	-8.9	-6.3	-7.0	-1.9	-1.2
Domestic Financing (Net)	-74.0	72.7	-180.9	-62.4	-36.2	-19.0	-8.9	20.4
External Financing (Net)[1]	213.5	123.9	278.3	380.7	179.9	127.6	56.0	-2.0
BALANCE OF PAYMENTS (US $mn)								
Merchandise Exports (f.o.b.)[2]	281.8	269.1	309.7	315.5	307.5	325.3	427.2	428.5
Merchandise Imports (f.o.b.)	478.4	477.7	496.9	522.4	480.7	556.2	612.0	642.0
Trade Balance	-196.6	-208.7	-187.2	-206.9	-173.3	-231.0	-184.8	-213.5
Remittances (Inflows)	52.6	26.4	24.3	29.3	30.9	40.9	57.8	70.8
Tourism (inflows)	116.2	110.5	121.5	149.7	168.1	213.6	271.0	290.6
Services (Net)	33.7	44.0	43.6	69.7	88.2	143.0	223.6	231.6
Current Account Balance	-156.0	-182.3	-165.6	-176.4	-155.9	-151.2	-16.2	-42.6
Capital and Financial Flows	202.9	173.5	151.6	174.5	127.3	147.3	78.3	74.6
Gross Change in Official International Reserves	-51.7	2.7	5.4	30.1	31.4	-12.2	49.8	22.9
Gross Official International Reserves [3]	122.8	120.1	114.7	84.6	53.3	35.8	85.7	108.5
Import Cover of Reserves (in months)	3.2	3.2	3.2	2.1	1.4	0.8	1.8	2.3
PUBLIC SECTOR DEBT								
Disbursed Outstanding External Debt (US $mn)	532.8	494.9	630.4	801.6	893.1	969.7	985.0	971.8
Ratio of Outstanding Debt to GDP at Mkt. Prices (%)	64.1	56.8	67.6	81.2	84.6	87.0	81.2	76.7
External Debt Service Payments (US $mn)	52.8	79.2	77.4	83.0	96.9	89.0	134.5	134.8
External Debt Service Ratio (%)[4]	11.9	17.9	15.7	15.7	17.9	14.2	17.2	16.4
Disbursed Outstanding Domestic Debt ($ mn)	176.0	208.7	171.9	256.5	278.5	279.4	299.9	321.9
Domestic Debt Service Payments ($ mn)[5]	22.6	17.7	19.2	13.7	18.8	23.1	27.5	30.5

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

(1) Includes Privatization Proceeds

(2) Includes CFZ gross sales

(3) Starting in 2005 these numbers have been revised to reflect only usuable reserves as defined by BPM5.

(4) Excludes refinancing of US$99.2mn (2002), US$50.2mn (2003), US$95.4mn (2004), US$136.7mn (2005) and the restructuring amount of US$541.0mn in 2007.

(5) The 2007 DS excludes $6.7mn that was owed to DFC and now taken over by BSSB.

Economic Overview

Belize experienced an economic downturn in 2007 with GDP growth falling from 5.3% to 1.6% partly due to the negative impact of inclement weather, crop disease and cash flow difficulties on several key export producers. Output of papaya, sugarcane, banana, citrus and farmed shrimp were all lower, resulting in a substantial 16.5% shrinkage in the primary sector's contribution to the economy. To some extent, this was offset by a 9.5% expansion in the secondary sector, which notably included value added from petroleum extraction. The decision by the Statistical Institute of Belize (SIB) to include the latter in the manufacturing sector caused a sharp production cutback by the largest garment manufacturer and modest decline in domestic production of electricity to be somewhat overshadowed. The services sector held up its end with a 4.2% increase that largely reflected increased trade in the Corozal Free Zone (CFZ), the continued expansion of telecommunication services and moderate growth in hotels and restaurants attributable to a small increase in stay-over tourist visitors.

Notwithstanding the deceleration, there was some buoyancy in the job market in the early months with the April unemployment rate falling from 9.4% in 2006 to 8.5% and most of the new jobs being concentrated in services and agriculture. Unlike previous years when a single labour force survey was conducted annually in April (the peak labour period), the SIB also conducted a second survey in the month of September and found that employment had contracted with the unemployment rate rising to 12.1% due to a seasonal downturn in labour demand. Meanwhile, the average annual Consumer Price Index (CPI) yielded to upward international price pressures and rose by 2.3%, with food prices registering the largest increase at 5.3%.

A 7.6% downturn in domestic exports caused growth in total export receipts to be held to a meagre 0.3% while imports surged ahead by 4.9%. The subsequent widening of the trade deficit was largely responsible for a more than doubling of the external current account deficit from 1.3% of GDP in 2006 to 3.4% of GDP in 2007. A financial surplus, derived in large part from foreign direct investment in tourism, real estate, aquaculture and electricity covered the deficit and further shored up gross international reserves by $45.8mn to $217.0mn, the equivalent of 2.3 months of merchandise imports.

Fiscal highlights in 2007 included Central Government's successful restructuring of some $1.1bn in external commercial debt during the first quarter. While this made external debt servicing more manageable by lowering interest payments and deferring principal repayments to the 2019-2029 period, the situation remained one in which continued fiscal and monetary restraint was required. The government would need to maintain a primary surplus in excess of 4.0% of GDP for the forseeable future in order to generate the savings necessary to meet debt servicing costs given the progressive increases in interest rate on the restructured debt. In 2007, notwithstanding a 22.5% ramping up of expenditure, the target was exceeded primarily due to a considerable increase in revenues from the general sales tax (GST), petroleum royalties and taxes, the sale of prime crown lands on Ambergris Caye, all of which were topped off by unusually large receipts from foreign grants. If the revenue stream had followed a normal growth path, the primary surplus would have been considerably lower than the 4.2% of GDP that was recorded.

In addition to a higher primary surplus, there was a further decline in the overall deficit from 1.9% to 1.2% of GDP during the calendar year. This was financed from domestic sources and resulted in a 7.3% rise in the government's domestic debt to $321.9mn (12.7% of GDP). The new financing included $23.4mn in overdraft funds (the bulk of which was provided by the Central Bank) and $3.4mn from a commercial bank for upgrading of the San Estevan -Progresso Road. Concurrently, the public sector's external debt fell by 1.3% to $1,943.6mn (76.7% of GDP), as government paid down a small portion of its external commercial debt, exchanged the remainder for a new super bond and scaled down its borrowing to project oriented and budget support loans from bilateral and multilateral sources.

In terms of the policy framework, while there was some loosening on the fiscal side, the Central Bank did not alter its stance during the year. Bank liquidity conformed to the expected seasonal pattern and when the pace of credit began to pick up simultaneously with signs of downward pressure on the system's net foreign assets, some consideration was given to the need for a tightening of reserve requirements as a preemptive measure. Action was however held in abeyance due to the expectations of increased inflows to the public sector that would replenish reserves.

With respect to monetary expansion, the annual growth in all components of the money supply was observed to be notably above expectations and reflected strong growth in credit and foreign inflows. In addition to a 15.2% increase in net credit to the government, private sector loans were up by 15.4% with approximately 75.0% of commercial bank lending increases being directed to personal loans, tourism and construction. Distributive trade was also a notable target of lending that accounted for nearly 10.0% of new loans. Meanwhile, although there was more than adequate excess secondary liquidity in the system, it was unequally shared and the disparity led to heightened competition among the banks for the business of large depositors such as the Belize Social Security Board (BSSB). This competition led to an increase of 30 basis points in the weighted average deposit rate while the weighted average lending rate edged upward by 10 basis points. The resulting decline in the interest rate spread of the banks made it, at 8.3%, the lowest of the last sixteen years.

Looking ahead, a conservative fiscal and monetary policy framework would need to be maintained to keep external debt servicing under control, re-establish credibility with international creditors and safeguard the fixed exchange rate. In addition to the challenges presented by a further slowing in the global economy, domestic economic management could be complicated by increased strain on the fiscal accounts since the bulk of petroleum taxes and royalties that went into the government's coffers in 2007 would now be slated for transfer to the recently created petroleum management fund. Unusually large receipts from land sales are also not expected, hence, if the present arrangements for the petroleum fund are not altered, measures would need to be taken to raise revenues from other sources. The important point to note is that excessive reliance on Central Bank financing is not a viable option for the government due to its negative effect on the official foreign reserves.

In other developments, GDP is currently projected to grow by about 2.4% due to a rebound in export production, buoyancy in construction and the spurt in government spending prior to the general elections. However, the external accounts should deteriorate somewhat as strong growth in imports spurred by rising fuel acquisition costs and inputs for large construction projects overshadows the expected rally in export earnings. As a result, import coverage provided by the official reserves is likely to edge down from 2.3 to 2.2 months of merchandise imports. Meanwhile, a continuation of the upward trend in fuel acquisition costs and food prices will exert further pressure on the domestic price level and push the CPI up by at least 2.5% during the year.

INTERNATIONAL & REGIONAL DEVELOPMENTS

Growth in the world economy decelerated slightly but was still a robust 3.7% with strong domestic demand and buoyant commodity prices sustaining many developing and emerging economies. China and India were major contributors with GDP increases of 11.5% and 8.9%, respectively. However, these contributions were somewhat counteracted by a slowdown in the United States (US) economy, which stemmed from a housing downturn that further escalated into a meltdown of the sub-prime mortgage market. With investor losses extending to Europe, Japan and other developed countries, the sub-prime mortgage crisis triggered an international credit contraction as earnings from securities backed by these mortgages evaporated. Central banks in the developed countries sought to mitigate the situation by altering interest rates and injecting liquidity in the hope of preserving the soundness of their financial systems.

Meanwhile, whereas rising prices for petroleum and food generated average inflation of 5.6% in developing countries, favourable currency appreciations in developed countries somewhat offset these pressures and resulted in a lower 1.9% average inflation rate. Economic growth in most developed and some developing countries also led to a general increase in employment with Japan, China, United Kingdom (UK) and the Euro Area all experiencing falling unemployment rates.

Impacted by the credit crunch emanating from the housing market crisis and rising energy costs, the **US** economy decelerated with GDP growth falling from 2.9% in 2006 to 2.2%. Even with interest rate cuts by the Federal Reserve Board, the losses suffered by financial institutions affected by the sub-prime mortgage crisis were initially estimated at US$60.0bn and continued to rise. Notwithstanding this and the sharp fall in residential investment, growth was supported by strong personal consumption, exports, non-residential construction and government spending. While the labour markets were initially tight, job growth decelerated in the second half of the year causing the unemployment rate to edge up to 5.0% by year end. Inflation rose by 4.1% driven primarily by higher oil prices that boosted heating oil, petrol and other energy costs. With the dollar weakening against the Euro and Yen, exports rose by 0.4% to US$142.3bn and the external current account deficit fell from 6.6% to 5.4% of GDP.

Notwithstanding tighter credit conditions due to contagion from the US sub-prime crisis, the **UK's** economy grew by 3.1% as a 3.7% expansion in services (particularly transportation, storage and communication) overshadowed weaker performance of the productive sector that featured marginal improvements in agriculture, manufacturing and the utilities while mining and quarrying declined slightly. A resurgence in non-bank corporate profits underpinned an expansion in business services and finance, while

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

Country	GDP Growth Rate (%)		Inflation Rate (%)		Current a/c Ratio (%)		Unemployment Rate (%)	
	2006	2007	2006	2007	2006	2007	2006	2007
United States	2.9	2.2	3.7	4.1	-6.6	-5.4	4.6	5.0
United Kingdom	2.8	3.1	3.6	2.1	-3.2	-4.0	5.4	5.3
Euro Area	2.8	2.7	2.5	3.1	0.0	+0.2	8.0	7.2
Japan	2.2	1.9	0.2	0.1	+3.9	+5.0	4.1	3.8
China	10.2	11.5	1.5	6.9	+9.4	+9.7	9.8	9.5
Republic of China	4.7	5.4	0.6	1.1	+6.8	+7.7	3.9	3.9

Sources: OECD, World Economic Outlook, United States Department of Commerce, The Economist, UK Government Statistics, IMF International Financial Statistics

government services grew more slowly. Annual inflation measured 2.1% (slightly above the 2.0% target rate) with the Bank of England raising interest rates by 50 basis points during the year to keep inflationary pressures from higher food and energy costs under control. Even with the financial sector fall-out, the economic upturn was able to generate increased employment resulting in a 0.1% decline in the unemployment rate to 5.3%. A strong pound favoured import consumption and made exports more expensive. The current account deficit consequently deteriorated further to 4.0% of GDP largely due to a widening trade deficit in goods, excluding oil.

In the **Euro area**, tighter credit conditions, higher interest rates and a stronger Euro led to a marginal deceleration in GDP growth from 2.8% in 2006 to 2.7% in 2007. The main growth drivers were investment and exports, as consumption remained somewhat subdued during the year. Spurred by higher oil and non-energy commodity prices, annual inflation measured 3.1%, exceeding the 2.0% target even though the European Central Bank increased interest rates mid-year to dampen inflationary pressures. The economic expansion was sufficient to reduce unemployment from 8.0% to 7.2%, even as the labour market participation rate increased especially among women and older workers. On the external front, the current account balance improved slightly to 0.2% of GDP.

Reductions in consumer spending and investment contributed to a deceleration in **Japan's** economic growth from 2.2% in 2006 to 1.9%. The economy was principally driven by exports with the Japanese trade surplus up by a record 37.0% as a relatively weak Yen, higher exports of automobiles and steel and increased trade with China and the European Union (EU) boosted the current account surplus from 3.9% to 5.0% of GDP. Improvements in Japan's energy efficiency mitigated the impact of higher energy prices and inflation consequently fell from 0.2% in 2006 to 0.1%. The unemployment rate also declined slightly from 4.1% to 3.8%, notwithstanding the slowing in economic activity.

China's economy continued on a boisterous growth path with exports, domestic consumption and high levels of investment fuelling an 11.5% increase in GDP. Inflation was up significantly from 1.5% in 2006 to 6.9% as a general shift away from agricultural production led to an increase in food imports, higher prices for which provided the main impetus for the inflation surge. The rapid economic expansion led to a marginal tightening in the labour market and a modest decline in the unemployment rate from 9.8% to 9.5%. Notwithstanding the appreciation of the Chinese renminbi against the US dollar and concerns about product safety, China's trade surplus surged by 48.0%, pushing up the external current account surplus to 9.7% of GDP.

Also led by exports, growth in the **Republic of China/Taiwan** accelerated to 5.4% as compared to 4.7% in the previous year. Notwithstanding the appreciation of the Taiwanese dollar against the US dollar, Taiwanese exports soared to US$246.7 bn and the external current account surplus was driven up from 6.8% of GDP in 2006 to 7.7% of GDP in 2007. With production being highly capital intensive, unemployment up to November remained unchanged at 3.9% while the consumer price index registered a slight increase from 0.6% to 1.1% due to higher food and energy costs.

Caribbean

In the Caribbean, a slowing in tourism underpinned a deceleration in GDP growth from 6.9% in 2006 to 3.9% in 2007. Tourism was negatively impacted by the US Western Hemisphere Travel Initiative (WHTI) that required its citizens to travel with passports as well as by intra-regional travel declines. In addition to a fall in impulsive travel by day-trip visitors from the US Virgin Islands and Puerto Rico that may be partly due to the WHTI, the expected benefits from the Cricket World Cup were also not fully realised by several participating countries. Of critical concern were hikes in petroleum and food prices that drove up inflation substantially, with some countries experiencing double digit growth. Debt

Table II.2: Selected Indicators for Some Caribbean Countries

Country	GDP Growth Rate%		Inflation Rate (%)		Unemployment Rate (%)		International Reserves US$mn	
	2006	2007	2006	2007	2006	2007	2006	2007
Barbados	3.8	4.3	7.6	4.2	9.8	7.1	597	731
Belize	5.3	1.6	4.2	2.3	9.4	8.5	86	109
Guyana	4.7	4.5	4.2	10.4	n.a.	n.a.	222	254
Jamaica	2.5	1.5	5.8	8.5	10.3	9.9	2,318	1,878
OECS	7.1	4.3	1.4	3.5	n.a.	n.a.	n.a.	n.a.
Trinidad & Tobago	12.0	5.5	9.1	7.3	6.2	5.9	6,761	7,039

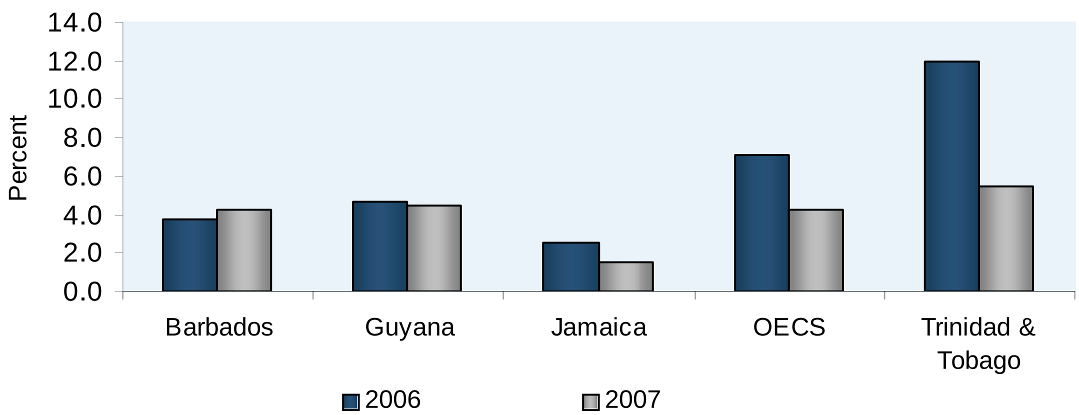
Sources: ECLAC, Central Bank of Barbados, Central Bank of Belize, Bank of Guyana, Bank of Jamaica and Central Bank of Trinidad & Tobago
n.a. = not available

management remained a key issue as several countries struggled with high debt to GDP ratios. Improving fiscal management and performance was therefore a priority, and several countries stepped up tax collection and administration measures.

In **Barbados**, the economy grew by 4.3% led by activity in wholesale/retail commerce, transportation, storage, communication, construction, business and other services, and supported by more modest growth in the export sector. A 12.3% upturn in cruise ship arrivals and 2.6% increase in long stay visitors were the basis for a 3.3% growth in tourism value added. While the increase in economic activity led to a decline in the unemployment rate from 9.8% to 7.1% (up to September), average inflation also fell to 4.2% compared to 7.6% in the previous year in response to a slowing in the rate of increase for fuel, electricity, transportation and housing. There was a slight increase in the ratio of the fiscal deficit to GDP, and the size of central government's debt (73.0% of GDP) remained a source of concern. On the external front, higher tourism receipts underpinned a decline in the current account deficit from 8.1% to 6.6% of GDP. The latter was largely financed by inflows from foreign investment and loan disbursements that were instrumental in boosting net international reserves to US$0.7bn at the end of September.

Guyana experienced a 4.5% expansion fuelled by a strong upturn in agricultural exports (particularly rice and sugarcane) and a mining expansion stimulated by higher international prices. Due to the one-off effect of a new valued added tax (VAT) and higher prices for energy and food, inflation jumped from 4.2% to 10.4%. Notwithstanding new revenue flows from the VAT, the fiscal deficit worsened from 11.9% to 12.1% of GDP because of higher capital spending in connection with the Cricket World Cup tournament and the modernization of the state-owned sugar corporation. The external current account deficit also deteriorated from 20.1% to 27.9% of GDP in 2007 largely due to a decline in travel receipts and

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



a surge in imports that reflected rising costs as well as significant capital and intermediate inputs for private and public investment projects. Capital inflows were however sufficient to finance the deficit and push reserves up by US$32.5mn. In a positive development, the country received the benefit of considerable debt relief granted under the Heavily Indebted Poor Countries and Multilateral Debt Relief Initiatives that resulted in the almost halving of the public sector external debt to US$655.0mn (70.0% of GDP).

Economic activity in **Jamaica** was dampened by a contraction in the hurricane affected agricultural sector and post elections fiscal deceleration. From 2.5% in 2006, GDP growth fell to 1.5% while annual inflation increased from 5.8% to 8.5% influenced in part by post hurricane hikes in food prices. An aggressive drive to enforce tax compliance led to an increase in fiscal revenues during the year and the government recorded a fiscal deficit and primary surplus measuring 4.3% of GDP and 10.0% of GDP, respectively. At 135.0% of GDP, the public debt burden continued to be exceedingly heavy and constituted one of the principal inhibitors to growth. In the external sector, a higher trade deficit mostly reflecting increased agricultural imports and a reduction in earnings from tourism contributed to a widening of the current account deficit from 10.7% to 13.5% of GDP. Capital inflows were insufficient to bridge this financing gap and reserves were consequently drawn down by some US$440.0mn, a reversal of the previous year's overall balance of payments surplus of US$230.0mn.

Growth in the **Organisation of Eastern Caribbean States (OECS)** region also decelerated significantly from 7.1% to 4.3% as the number of stay-over tourists declined in all economies apart from Anguilla and Grenada. As in the rest of the Caribbean, the declines were partly due to the new US citizen passport requirement. In the OECS this was exacerbated by a decrease in inter-island flights due to the merger of two regional airlines that resulted in higher air fare costs and inconvenient route schedules that did not facilitate easy link-up with larger carriers that serviced overseas routes. Notwithstanding this, tourism and tourist-related construction activities continued to generate growth, though at a more moderate pace, in the high and medium growth countries while the two worst performing economies suffered from hurricane and volcanic damage. Public debt levels in the region remained high, with four countries having debt/GDP ratios in excess of 100.0%. Since the scope for cutting costs was not extensive, fiscal adjustments were focused on increasing revenues with the aim of gradually reducing the level of government debt. These were ongoing and included the implementation of a VAT in Antigua and Barbuda. Higher costs for food and fuel acquisition caused a more than doubling in the region's inflation rate to 3.5%.

Meanwhile, although higher imports and a fall in tourism receipts increased the external current account deficit, capital and financial inflows covered the shortfall and contributed to a slight increase in reserves.

In **Trinidad & Tobago**, a slackening in investment activities in the energy sector combined with slower growth in oil refining and petrochemical production caused the growth rate to fall from 12.0% to 5.5%. Notwithstanding inflationary pressures from the combination of higher prices for imported food and expansionary fiscal policies, average inflation (up to September 2007) fell to 7.3% as the Central Bank tightened monetary policy to keep inflation under control. Meanwhile, with outlays for ongoing public infrastructure projects ratcheting up, the government's surplus for the fiscal year fell significantly from 6.9% to 2.5% of GDP. The external sector remained robust as buoyant export earnings from the energy sector overshadowed an increase in repatriated profits of multinational corporations in the oil sector and delivered an external current account surplus equivalent to 20.1% of GDP. Net international reserves consequently increased by US$0.3bn to US$7.0bn.

Mexico and Central America

The slow down of the US economy somewhat dampened **Mexico's** performance leading to a deceleration in its GDP growth from 4.8% to 3.3% and an increase in the unemployment rate (up to September) from 3.6% to 3.8%. The sectors that contributed to growth were communications/ transportation, financial services and manufacturing (particularly of vehicles). Inflation was estimated at around 4.0% due to higher international and domestic prices for grains, milk products and energy. On the fiscal front, government expenditures outpaced revenues resulting in a slight increase in the deficit from 2.0% to 2.2% of GDP. During the first three quarters of the year, higher imports of consumer and capital goods pushed the trade deficit up to 4.3% of GDP. This was offset by other inflows and so the balance of payments yielded an overall surplus that drove up net international reserves by 15.1% to US$77.9bn.

In the **Central American** countries, average growth was slightly above 6.0%, spurred by exports and domestic consumption that was supported by significant inflows of family remittances. Even though exports from the "Maquilas" (assembly line factories) and free zones grew at a slower rate, intraregional trade and garment exports to the US surged as a result of the free trade agreement between Central America, the Dominican Republic and the US (CAFTA-DR). Although increasing more slowly due to the deceleration in the US economy, remittances still played a prominent role in these economies. There were improvements in employment across the board while higher prices for petroleum, energy and food pushed inflation up. Fiscal revenues for all countries increased in response to improvements in tax administration regimes and economic buoyancy with the result that from an average of 3.4% of GDP, the fiscal deficit of central governments fell to 1.0% of GDP. Financial resources were therefore freed up to enable a healthy expansion in private sector credit during the year.

In **Guatemala,** GDP growth accelerated slightly to 5.7%, spurred by private sector investment and consumption. The latter was strongly supported by family remittances that totalled some US$4.2bn (12.5% of GDP). Construction activity was vibrant with increases in public and private sector projects, while communications/transportation expanded due to major investments in telecommunications. Agriculture was also up with a recovery in traditional crops such as coffee and sugar that was stimulated by a rally in international coffee prices as well as an increase in the US sugar export quota under the CAFTA-DR free trade agreement. Notwithstanding several interest rate increases by the central bank, inflation remained high at 9.1% due to the upsurge in food and petroleum prices. While government expenditures outpaced a 9.0% rise in revenues, the fiscal deficit remained modest at 1.4% of GDP. Meanwhile, notwithstanding substantial inflows from exports and family remittances, the external current account deficit rose to 5.0% of GDP due to heightened imports of goods and services. This was financed by inflows from foreign investment and government borrowing that drove up the external public debt by some US$300.0mn while increasing net international reserves by US$170.0mn.

The **Honduran** economy was also vibrant with GDP up by 6.0%. Growth drivers included private consumption that was underpinned by family remittances, transportation/communications and a surge in construction that was fostered by easier access to bank credit and mostly focused on residential units and buildings for agro-industrial use. Agriculture grew only minimally due to adverse weather systems such as Hurricane Felix. Inflation rose to 9.6%, boosted by higher prices for petroleum, corn and wheat, while urban unemployment fell from 4.9% at the end of 2006 to 4.1% in May 2007. A hike in government wages contributed to a slight deterioration in the government's fiscal deficit from 1.4% of GDP in 2006 to 2.9% of GDP even as the external public sector debt declined, aided by US$233.0mn in debt forgiveness under the Multilateral Debt Relief Initiative. While exports expanded by 9.8%, fuelled by strong growth in traditional exports like banana and coffee as well by higher "maquila" exports, imports outpaced this with a 22.0% increase that was partly due to the appreciation of the Honduran Lempira. The wider trade deficit was only partially offset by family remittances that amounted to some 12.0% of GDP and the external current account deficit consequently rose from 0.2% to 7.0% of GDP.

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

Country	GDP Growth Rate (%)		Inflation Rate (%)		Deficit/GDP Ratio (%)		Net International Reserves US$bn	
	2006	2007	2006	2007	2006	2007	2006	2007
Mexico	4.8	3.3	4.1	4.0	2.0	2.2	67.7	77.9
Guatemala	5.2	5.7	5.8	9.1	1.8	1.4	4.1	4.3
Honduras	6.0	6.0	5.3	9.6	1.4	2.9	2.4	2.4
El Salvador	4.2	4.5	4.9	6.2	1.1	0.5	1.9	2.1
Nicaragua	3.7	3.0	9.4	13.8	0.2	0.9	0.9	1.0
Costa Rica	8.2	7.0	9.4	10.1	1.1	1.3	3.1	4.1
Panama	8.7	9.5	2.2	5.8	0.3	0.8	0.4	0.6

Sources: ECLAC, Bank of Mexico, Central Bank of Nicaragua, Central Reserve Bank of El Salvador, Central Bank of Honduras, Bank of Guatemala, Ministry of Economy and Finance of Panama

Activity in **El Salvador** picked up pace and the economy grew by 4.5%, the highest level achieved in the last 12 years. Agriculture, construction, tourism, financial services, electricity, transportation & communications and industrial manufacturing all expanded. While agriculture benefitted from favorable prices for major commodities, construction was boosted by infrastructural works such as the Union Port and housing construction. Family remittances, which amounted to US$3.8bn, boosted private consumption and alleviated the effect of higher petroleum prices on the external current account deficit which stood at 4.6% of GDP. A large surplus on the capital and financial account produced by the sale of various banking institutions covered the deficit and raised net international reserves by US$0.2bn to US$2.1bn, the equivalent of 2.6 months of imports of goods and services. Improved tax administration boosted government revenues and even with US$140.0mn extended in electricity and gas subsidies, the fiscal deficit declined from 1.1% of GDP in 2006 to 0.5% of GDP in 2007. The inflation rate rose to 6.2% due to the continuous rise in international prices for food items and petroleum.

As a result of setbacks caused by Hurricane Felix, **Nicaragua** experienced a further deceleration with GDP growth falling from 3.7% to 3.0%. While the hurricane's impact was felt, the economy was supported by an upturn in export activities resulting from improved prices for the country's main export products and the implementation of the CAFTA-DR trade agreement. Unemployment rose to 5.9% and inflation was up from 9.4% to 13.8% as food prices surged in the wake of hurricane destruction to agricultural production and higher fuel, electricity and transport costs. Central government's operations yielded a slightly higher fiscal deficit of 0.9% of GDP as current and capital expenditure outpaced increased revenues resulting from improvements in tax collections. Nicaragua was one of the countries that benefitted from debt relief initiatives and its external public debt was significantly reduced from around

US$4.5bn to slightly more than US$2.0bn during the year. Its external current account deficit was unchanged at 16.0% of GDP, as a worsening trade deficit was offset by higher inflows from family remittances.

Even with damages sustained from heavy rainfalls that battered the country's northern region and Caribbean coast during the last quarter of the year, preliminary figures indicate that **Costa Rica** continued to experience vigorous growth of 7.0%. The most dynamic sectors were construction, transport, storage, telecommunications, financial intermediation, manufacturing and agriculture. The economic buoyancy underpinned a fall in unemployment from 6.0% to 4.6%, while annual inflation rose to around 10.1%, which was in excess of the central bank's 8.0% target. The government's fiscal deficit edged up to 1.3% in 2007 and on the external side, an increase in repatriated profits outweighed a strong export performance, so the current account deficit on the balance of payments rose to 5.2% of GDP. This deficit was fully covered by a substantial surplus on the capital and financial account that was generated mainly by sizeable foreign direct investments into the real estate and tourism sectors. The net international reserves consequently increased by 32.3% to US$4.1bn.

Panama's growth accelerated to 9.5% led by transport and communications that included a surge in activity at the ports, railways and airports. Rising re-exports from the Colon Free Zone and higher domestic exports of fruits, coffee and sugar spurred trade, while an increase in tourist arrivals led to greater dynamism of the hotel and restaurant sub-sector. Inflation rose to 5.8%, pressured upwards by higher petroleum and food prices, while unemployment contracted from 8.7% in 2006 to 6.3%. The fiscal deficit stood at 0.8% of GDP, with the government in the beginning stages of a project to expand the Panama Canal. This project is slated for the period 2007 to 2012 and is expected to cost approximately 25.0% of GDP (measured in 2007). In the external sector, a significant rise in imports contributed to an external current account deficit of US$743.0mn, while foreign direct investment into Panama at US$1.0bn was less than half of what was recorded in 2006 when the largest local banks were sold. In other developments, trade agreements were completed with Nicaragua and the US, while significant advances were made with respect to negotiations with Chile and Guatemala.

Domestic Production, Prices & Employment

Production

Lower output by several of the major export producers caused a deceleration in GDP growth from 5.3% in 2006 to 1.6% in 2007. However, while the traditional export sector struggled somewhat, the services sector performed well and this helped to shield the job market particularly in the first half of the year. In April (the month in which labour demand is usually at its peak), the unemployment rate was measured at 8.5% as compared to 9.4% twelve months earlier. The SIB also reported an average annual increase of 2.3% in the CPI that was largely due to higher prices for imported and locally produced food.

The 'Agriculture, Hunting & Forestry' component of GDP registered a 7.7% contraction that was due to the lower output of key export commodities such as sugarcane, citrus, banana and papaya. There was also a 33.5% reduction in fisheries as disease losses and the closure of a major farm led to a drop in farmed shrimp production.

The most substantial growth was in the secondary sector but this was notably due to the SIB's practice of including petroleum extraction in its measurement of manufacturing. The steep cutbacks in garment output during the year were therefore masked. Construction rose slightly notwithstanding delays in the start up of several major projects. On the other hand, the utilities experienced a slight contraction of 0.5% as dry weather caused a reduction

Table III.1: Annual Percent Change in Selected Indicators

	2005	2006	2007
GDP at Current Market Prices	5.6	8.9	4.4
Real GDP (2000 prices)	3.0	5.3	1.6
Primary Activities	**3.0**	**-5.6**	**-16.5**
of which: Agriculture, Hunting & Forestry	-0.9	0.9	-7.7
Fishing	9.8	-16.1	-33.5
Secondary Activities	**-3.3**	**26.5**	**8.2**
of which: Construction	-3.6	-6.6	0.6
Electricity and Water	-0.5	38.0	-0.5
Services	**5.4**	**2.1**	**4.2**
of which: Restaurant & Hotel	4.5	-0.8	2.8
Trade	5.4	2.0	5.1
Public Administration	1.4	-4.6	1.2
Transport and Communication	8.8	6.0	5.4
Consumer Price Index			
Average	3.7	4.2	2.3
End of period	4.2	3.0	4.1

Source: Statistical Institute of Belize

in electricity produced by the Chalillo Dam.

Faster growth was seen in the services sector as a surge in CFZ distributive trade contributed to a 5.1% expansion in wholesale and retail transactions while the continued upgrading and expansion of telecommunication infrastructure for cellular and internet services resulted in a 5.4% growth in transport and communications. Hotel and restaurant activity also rose moderately as a modest increase in stay-over visitor arrivals eclipsed a reduction in cruise ship visitors. After contracting in 2006, government services expanded slightly with spending increasing in the latter months of the year.

Agriculture

Sugarcane

In an effort to meet a temporary increase in the EU sugar quotas, the harvest was extended by eighteen days and sugarcane deliveries consequently grew by 2.3% to 1,200,429 long tons. Farmer deliveries were up by 2.7% to 1,154,139 long tons, while those from the company's cane growing project contracted by 5.9%. The increase in deliveries was offset by poor crop quality as heavy rainfall during the critical growing period caused a severe froghopper outbreak which contributed to a 9.5% reduction in the concentration of sugars in the sugarcane and a consequent worsening of the cane to sugar ratio from 10.54 in the previous crop year to 12.36.

The average final price paid to farmers fell by 10.7% to $54.22 per long ton, reflecting the 17.3% fall in the out-turn of sugar per ton of sugarcane, an increase in freight charges (sugar is sold on a cost, insurance and freight (c.i.f). basis) and lower export prices in markets influenced by the rebound in global sugarcane production led by large producers such as Brazil and India.

Citrus

After the cyclical decline in the previous crop year, output for the 2006/2007 crop year edged up by 1.1% to 7.0mn boxes. Approximately 96.3% (6.7mn boxes) of the citrus crop was factory processed, 2.8% was rejected and 0.9% was exported as fresh fruit. Orange deliveries to the factory were up by 5.9% to 5.2mn boxes while grapefruit deliveries contracted by 10.8% to 1.5mn boxes. While the decline in grapefruit was in line with the cyclical trend following a season of high output, the modest boost in the orange crop was the result of sustained annual efforts to replace dead trees and

Table III.2: Sugarcane Deliveries

	2004/05	2005/06	2006/07
Deliveries to BSI (long tons)	929,393	1,173,469	1,200,429

Source: Belize Sugar Industries Ltd.

Table III.3: Citrus Fruit Deliveries

	2004/05	2005/06	2006/07
Deliveries ('000 boxes)	7,793	6,618	6,726
Oranges	6,265	4,931	5,221
Grapefruits	1,528	1,687	1,505

Source: Citrus Growers Association

improved grove management practices as the Citrus Growers Association stepped up its extension services to several communities.

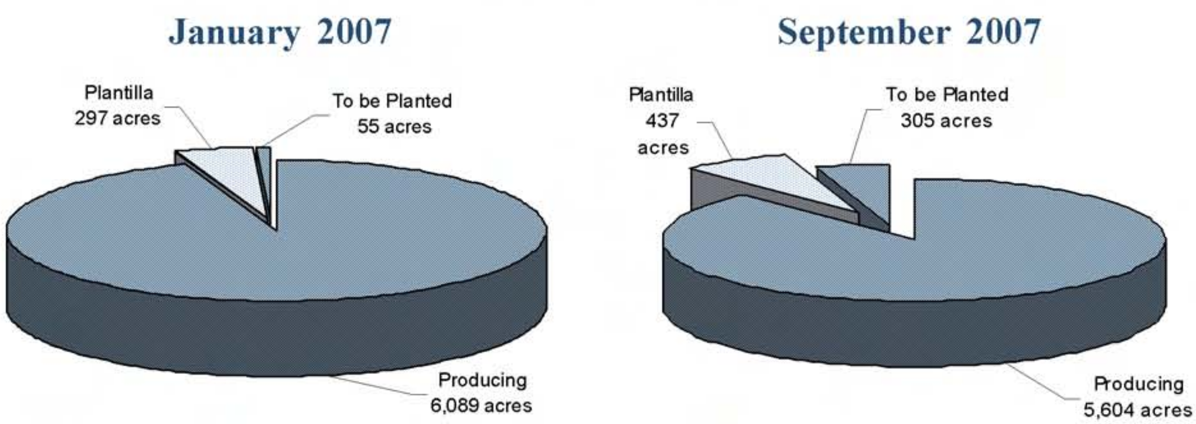
With international prices for orange juices in Belize's key markets rising due to the continued decline in US production, the final price paid to farmers for the 2006/2007 orange crop was up by 30.4% to $2.19 per pound solid (pps). Conversely, grapefruit prices were pressured downward by 39.8% to $1.44 per pps as a rebound in US grapefruit production was coupled with lower US per capita consumption of grapefruit juices.

Banana

A sluggish start due to unfavourable weather, the temporary abandonment of some fields and farmer uncertainty caused by the negative impact of the EU's import regime on prices led to a 11.0% fall in production to 3.4mn boxes.

The trend in banana cultivation over the past three years indicates that acreage has stabilized at around 6,000 for the year with any increases in production expected to come from improvements in field productivity rather than acreage expansion. At the start of the year, 6,089 acres had harvestable trees and 297 acres were under plantilla (young, non-yielding trees). By September, the acreage under cultivation had temporarily declined by 8.0% to 5,604 acres, while the area under plantilla increased to 437 acres.

Chart III.1: Banana Acreage



Papaya

During the first eight months, papaya production volume was up by a robust 31.5% year-on-year, with output being ratcheted up in response to increasing per capita consumption of fresh papaya in the US, which is Belize's sole export market. However, extensive hurricane damage sustained in the second half of August abruptly halted this, causing a 72.1% decline in the last four months relative to the comparable period of 2006.

Pre-hurricane estimates placed the total area under production at around 1,910 acres, virtually all of which were in the northern districts. With Hurricane Dean slashing the total harvestable acreage by almost two-thirds, the post-hurricane producing areas of the Corozal and Orange Walk districts fell to as low as 350 and 300 acres, respectively. By the end of the year, grove replanting and rehabilitation efforts had almost doubled the total area under cultivation to 1,216 acres, of which 1,054 acres were devoted to large papayas and 162 acres were under the smaller solo variety. Cultivation remained concentrated in the Corozal district with 754 acres of large papayas and 102 acres of the solo variety. While the total harvestable acreage inched up to 720 acres by year-end, producers in the Corozal district expect to return to pre-hurricane levels of production by mid 2008. Total acreage in the Orange Walk and Belize districts stood at 300 and 60 acres, respectively, while Cayo did not engage in production during the year.

Other Agricultural Production

Notwithstanding some hurricane damage in August, output of most grains was higher with improvements in harvested acreage and yields. The notable exception was soybean, which fell by 38.4% to 0.8mn pounds as harvested acreage plummeted from 750 to 486 acres, and delays pushed the start up of the soybean processing plant into 2008. A corn shortage at the start of the year led to the need for corn and corn seed imports, however annual corn production eventually rose by 20.1% to 97.9mn pounds. Output of sorghum (a soybean substitute in animal feed) jumped by 49.7% to 15.1mn pounds and rice production surged by 50.0% to 39.2mn pounds with yields and harvested acreage rising by 17.6% and 27.5%, respectively. Output of beans also increased by 7.8% to 15.5mn pounds as higher yields eclipsed a small decline in harvested acreage.

Vegetables, root crops and plantains were among the hardest hit by the hurricane. While output of hot pepper, squash, sweet pepper, carrots, celery and cassava increased, decreases were recorded for cabbage, cucumber, okra, pumpkin, tomatoes, Irish potato and onions. Plantain output plunged by more than fivefold to 0.1mn bunches with the loss of about half of the acreage under cultivation.

Livestock production was generally on the downside with declines in cattle and pig dressed weights of 4.2% (to 3.2mn pounds) and 4.3% (to 2.1mn pounds), respectively. Poultry was also down by 1.4% to 29.5mn pounds and output of milk declined by 10.2% to 6.0mn pounds. Egg production climbed by 11.7% but there was a 1.4% fall in the amount of honey produced to 0.1mn pounds.

Marine Products

Declines in farmed shrimp and tilapia combined with reductions in the wild capture of conch and marine shrimp resulted in an overall decrease in output of 31.3%.

The resurgence of viral diseases on some farms and the closure of one of the largest farms (which went into receivership at the end of 2006) caused a 32.6% drop in farmed shrimp production to 15.4mn pounds. Meanwhile, with rising fuel costs contributing to a significant decline in trawler activities, the wild capture of marine shrimp was almost halved to 0.03mn pounds. Conch experienced a cyclical reproductive downturn that was exacerbated by hurricane disturbance to its habitat, and the result was a 16.7% decline in the wild capture of conch to 0.6mn pounds. In contrast, lobster production increased by 10.0% to 0.5mn pounds while that of whole fish grew by 4.6%, notwithstanding production problems that affected a large fish farm.

The advent of the first cobia (a fish known locally as 'cabio') cage farming facility at Robinson Point Caye was an important development during the year. Harvesting at very modest quantities began towards the end of 2007 and is expected to gradually build up in volume throughout 2008. Indications are that the new technology has spurred the interest of the two major fishing cooperatives, which have been exploring the possibility of establishing a joint pilot project for cobia farming in 2008.

Manufacturing

Sugar and Molasses

Notwithstanding the extension of factory operations into mid July and a modest growth in sugarcane deliveries, sugar production declined by 12.7% to 97,161 long tons due to the lower sugar content of the crop and an increase in the level of impurities.

Table III.4: Sugar and Molasses Production

	2004/05	2005/06	2006/07
Sugar Processed (long tons)	100,328	111,323	97,161
Molasses Processed (long tons)	37,181	41,250	47,118
Performance			
Factory Time Efficiency	94.57	91.34	91.19
Cane Purity (%)	85.83	83.95	80.38
Cane/Sugar Ratio	9.26	10.54	12.36

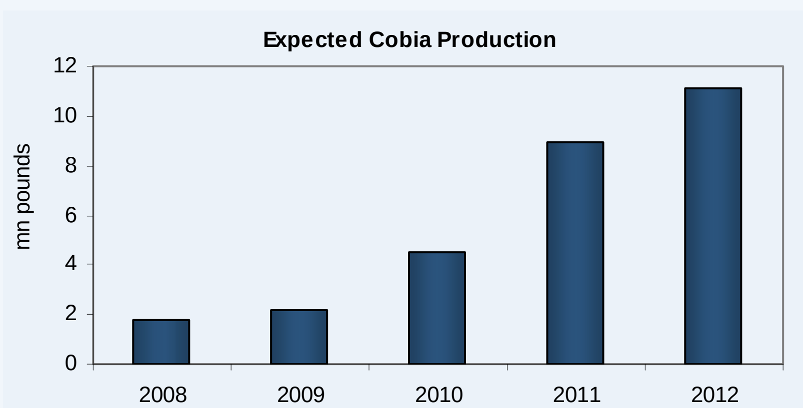
Source: Belize Sugar Industries Ltd.

Box 1: Cobia Fish Farm

In August 2006, Marine Farms Belize Ltd., a subsidiary of the Norwegian based Marine Farms ASA, began the process of establishing Belize's first marine fish farm to produce cobia for the export market.

Cobia is a little known, eco-friendly species that is well adapted to farming with a low feed conversion ratio, good flesh quality and nutritional value and rapid growth rate that enables it to reach harvest maturity in about a year. China is currently the world's largest cobia producer with Food and Agriculture Organization (FAO) estimates placing its 2007 production at just under 44.1mn pounds. Other producers such as Taiwan, Vietnam, Philippines, Brazil, Puerto Rico and others have emerged and are rapidly expanding their export production capacity. FAO records indicate that world cobia production of 50.2mn pounds in 2005 was more than twenty times what it was in 1998. As world demand and consumption of fish rises, there is an increased potential for growth in demand for cobia as it gains greater international recognition.

Belize was considered highly suitable for this marine fish farming project because it had warm water temperatures, deep water with high oxygen levels and strong currents, and the reef provided some protection from hurricanes. Using production techniques originally developed in Florida and fingerlings imported from a Florida hatchery, the company set up its first cage site at Robinson's Point a few miles off the coast of Belize City. Harvesting from this trial commercial venture began in July and yielded some 70,000 pounds by year end. Assuming all goes smoothly, the company expects to raise production to around 1.0 million pounds by 2008. Approximately US$10.0 mn has been invested to date and there are plans to inject a further US$20.0mn over the next five years to develop a fully integrated operation that would include a state-of-the-art hatchery, processing plant (processing is currently outsourced), an ice plant, a feeding system and three more cage sites. As production capacity expands, the level of employment should grow from the current staff of just under 30 persons.



While this new industry could potentially generate much needed foreign exchange and provide new employment opportunities, the development of the cobia industry in Belize faces many challenges. The establishment of a local hatchery is a key priority since the importation of fingerlings is proving to be

cont'd...

Box 1: Cobia Fish Farm (cont'd)

inefficient due to costly, logistical problems. The current arrangement of contracting out its fish processing, further increases costs and is only practical at low volumes. In addition, one of the major constraints is the lack of reliable and economically priced transportation for fresh fish to the US market. Another key challenge is market development, since cobia, despite its many desirable traits for farming and consumption, is still relatively unknown. To address this issue, Marine Farms Belize is currently working with Florida based marketing consultants to target the high-end restaurant chain segment in the US.

Factory efficiency declined by 0.2% as the battle with high mud levels continued while the drop in the sucrose content of the crop meant that 17.3% more sugarcane was required to produce one ton of sugar. Reflecting its inverse relationship to sugar output, molasses production rose by 14.2% to 47,118 long tons.

Citrus Juices and Pulp

While fruit deliveries for the 2006/2007 crop year were up by 1.6%, citrus juice production rose by only 0.8% to 36.1mn pound solids (ps) with the less than proportional increase in juice out-turn being attributable to a 2.0% fall in the average ps yield per box of orange that outweighed a 1.0% rise in that of grapefruit. Concentrates remained the industry mainstay but there was also a notable increase in output of the not-from-concentrates (NFC) in 2007. Production of the latter rebounded with a more than ten fold expansion to 1.2mn ps (0.5mn ps of orange and 0.7mn ps of grapefruit). Meanwhile, the output of orange concentrate stood at 29.4mn ps, a 0.3% increase, while that of grapefruit declined by 14.8% to 5.4mn ps in line with the cyclical downturn in fruit deliveries. At 1.7% of total concentrate juice output, freeze concentrate production was minimal due to its less attractive profit margin and sluggish market demand.

Table III.5: Production of Citrus Juices and Pulp

	2004/05	2005/06	2006/07
Production ('000 ps)	44,221	35,778	36,054
Orange Concentrate	37,689	29,332	29,414
Grapefruit Concentrate	5,846	6,328	5,392
Not-from-concentrate (NFC)	686	117	1,249
Production (pounds)			
Pulp	2,490	2,509	2,079

Source: Citrus Products of Belize Ltd.

Pulp production amounted to 2.1mn pounds. This was mostly of orange since sales of grapefruit pulp were temporarily scaled back in order to effect quality enhancements.

Other Manufacturing Production

The performance of the rest of the manufacturing sector was generally mixed. Beverage production increased by 10.2%, largely due to higher production of beer and, to a lesser extent, soft drinks, which may be indicative of some measure of success in the crackdown on contraband trade in these products during the year. A 7.9% expansion in the output of other miscellaneous food items was mostly attributable to flour production. Lower usage by key crops such as banana, citrus, sugarcane, papaya and some grains in the latter part of the year caused a drop in fertilizer demand and contributed to the 18.4% fall in fertilizer output.

Tourism

Notwithstanding factors such as volatility in aviation fuel prices, exchange rate fluctuations, the economic slowdown in some key markets, continued health/security concerns and the credit crunch in the last few months, preliminary figures for 2007 from the World Tourism Organization indicate that world tourism expanded for the fourth consecutive year with an estimated increase of 6.1% to 898.0mn arrivals. Within the region, performance was mixed with North and Central America having respective growth in arrivals of 4.7% and 11.1%, while the number of visitors to the Caribbean contracted by 0.9%.

In Belize, stay-over arrivals increased by 1.6% to 241,575 as marketing efforts in the US, Canada and Europe continued. The number that entered the country through the Phillip Goldson International Airport (PGIA) and through the sea-ports increased by 2.5% and 16.8%, respectively. On the other hand, arrivals through the land borders declined by 4.3%. Visitors from the US were up by 1.3% and accounted for 63.8% of all stay-over arrivals. In response to an intensification of marketing efforts that included increased attendance at trade shows and more advertisements in that market, Canadian visitors almost tripled, accounting for 16.4% of visitors to the country and also overtaking Europe as Belize's second largest tourism market. Visitor arrivals from Europe declined by 1.9%, driving down its share of total stay-over tourists from 14.0% in 2006 to 13.5%. On a similar downward trend, arrivals from other countries plummeted by 60.5%.

After peaking in 2004, cruise disembarkations declined for the third consecutive year, influenced in part by the active hurricane season that prompted the cancellation of several port calls to the country during the third quarter and in part by the continued redeployment of ships from the Caribbean to the Mediterranean. Consequently with the decline in cruise ship

Box 2: Tourism Developments and Prospects

The performance of the tourism sector was mixed with a 1.6% rise in stay-over visitors occurring while the number of cruise ship arrivals declined by 5.1% as the number of port calls fell for the third consecutive year.

The Belize Tourism Board (BTB) maintained its marketing focus on Europe and North America by increasing its attendance at trade shows as well as purchases of magazine advertisements in Canada. As a result of these efforts and the appreciation of the Canadian currency, Canada surpassed Europe as the second largest source of arrivals during the year.

The first phase of the international airport's expansion was completed with the runway being extended to some 9,900 feet and the floor area of the terminal building expanding by some 14,000 feet. The air lift capacity to Belize was increased with the launching by Delta airlines of a weekly direct flight from Los Angeles to Belize City. To further spur the growth in air arrivals, the BTB engaged Inter-vistas Consultants, an international consulting firm, to develop and negotiate new air routes to the country. The stalemate between investor groups competing for the right to build a cruise ship docking terminal by 2009 was resolved when it was agreed that the financier of the project at the Port of Belize would buy over the Stake Bank project.

In other developments of note, the Government created the Belize City Tourism Development Fund in January, administered by the Ministry of Local Government and funded by deducting US$0.33 each from the Fort Street Tourism Village (FSTV), BTB and Protected Areas Conservation Trust (PACT) portion of the cruise head tax. Unlike the prior arrangement where the BTB provided funds to the Belize City Council (BCC) for special cruise tourism projects, the monies in this fund were to be transferred on a monthly basis to the BCC which would account for the manner in which the funds were used. The consultation phase of a project to increase the competitiveness of micro, small and community based organizations that service the cruise ship tourism sector was also completed during the year.

Major developments during 2008 should include:

a) Paving of the Placencia Road

b) Construction of an additional terminal building at the international airport

c) Continuation of the construction of the cruise ship docking facility at the Port of Belize

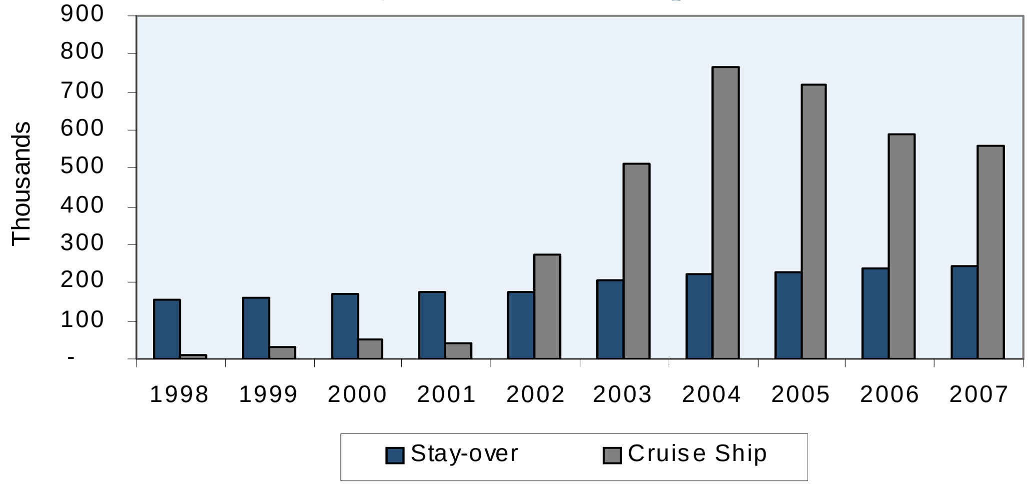
d) Start of the training phase of the competitiveness project administered by Belize Tourism Industry Association/BTB

e) Further negotiations by the BTB and Intervistas Consultants with international airlines in the effort to get them to expand their travel routes to Belize.

f) The hiring of a public relations agency for the European market.

g) Start of the consultancy phase of a $30.0mn project financed by the Multilateral Investment Fund that is aimed at improving public infrastructure in Belize City, Ambergris Caye and Caye Caulker as well as the elaboration of a tourism master plan.

Chart III.2: Stay-over and Cruise Ship Visitor Arrivals



disembarkations during the second half of the year eclipsing the modest increase during the first part of the year, cruise visitors declined by 5.1% to 560,478, and the number of port calls fell from 295 in 2006 to 278 in 2007.

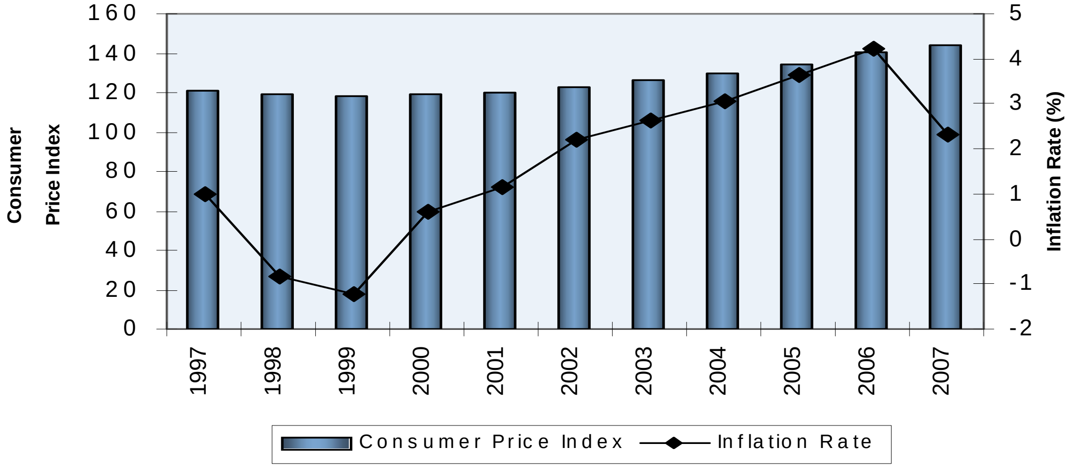
Prices

Given Belize's small size and openness, its inflation rate is heavily influenced by trading partners such as the US that accounts for approximately one-third of annual imports. In 2007, the SIB reported an estimated average rise in the CPI of 2.3%. The largest increase was in the cost of food, beverage and tobacco which rose by 5.3%. A key factor was the substantial rise in the world price for corn caused by the increased use of this grain for ethanol production, particularly in the US and China. Globally, this had a domino effect on the price of other staple crops such as wheat, as land was shifted to corn cultivation to the detriment of these other crops. Domestically, a shortage in the early part of the year and higher world prices drove the price of corn to record high levels. The cost of corn based products (like masa and tortillas) and products that utilize corn as an input such as chicken rose sharply as a result. Other items that contributed to the surge in food prices included onions, milk, cheese, beans and coconuts.

Goods in the CPI basket that have a high import content such as 'Household Goods & Maintenance', 'Personal Care' and 'Clothing & footwear' were up by 2.3%, 2.2%, and 0.8%, respectively, which was in line with the rise in import prices as indicated by the 4.9% increase in the US export price index. 'Rent, Water, Fuel & Power' rose by 1.4% mostly in response to a sharp rise in butane costs since rent and water rates were only marginally higher. The cost of 'Medical Care' and 'Recreation, Education & Culture' went up by 1.6% and 0.9%, respectively.

The upward trend was to some extent offset

Chart III.3: Consumer Price Index and Inflation Rate



by a 0.6% decline in average prices for 'Transport and Communication', as fuel prices at the pump trailed behind those of the previous year for the first three quarters of the year and only surged ahead in the last quarter.

Employment

In addition to its labour force survey in April, the SIB also initiated a September survey in 2007. While April is generally representative of the peak labour period, September would be the period of lowest labour demand when tourism is in its low season and harvesting of sugarcane and citrus has not yet begun.

The April survey indicated that the rate of unemployment had fallen for the fourth consecutive year (from 9.4% in 2006 to 8.5% in 2007) as the number of employed persons grew by 9.4% to 111,835 while the labour force grew by 8.4% to 122,258 persons. Although most of the new jobs were in services, employment in the primary sector also grew robustly by 17.1%. The secondary sector trailed with a more modest 3.9% increase. By September, the number employed had contracted by 3.7% to 107,657, driving up the rate of unemployment from 8.5% to 12.1%. The latter reflected the seasonal nature of some jobs and, to some extent, the loss of jobs resulting from hurricane damage to farms in the northern districts in August.

Comparing April 2007 to April 2006, agriculture retained its position as the largest employer accounting for 19.8% of total employment and 38.9% of the increase in jobs, most of which were in the sugarcane and citrus industries. Distribution (wholesale, retail and repair trade) was the next largest provider of employment with 18.3% of the employed labour force and 39.1% of the job expansion. Other significant growth areas were tourism, general government services and manufacturing (mostly of food), with respective year on year increases of 12.1%, 13.0% and 13.6%.

Table III.6: Employed Labour Force by Industrial Group

Industrial Group	2005	2006	2007
Agriculture	18,671	18,406	22,144
Forestry, logging, sawmilling	961	733	1,246
Fishing and fish processing	2,330	2,070	1,447
Mining and Quarrying	211	434	507
Manufacturing	7,210	7,363	8,367
Electricity, gas & water	934	879	1,047
Construction	6,884	7,390	6,769
Wholesale, retail, repair	15,944	16,722	20,475
Tourism (Hotels & Restaurants)	12,865	13,981	15,668
Transport and Communication	3,553	4,352	3,996
Financial intermediation	1,594	1,800	1,408
Real Estate, renting	2,084	2,431	2,264
General Government Services	10,033	9,345	10,562
Community, Social & Personal Services	15,084	16,041	15,246
Work Abroad	85	0	0
Activities not classified elsewhere	146	285	689
Total, All Sectors	**98,589**	**102,233**	**111,835**

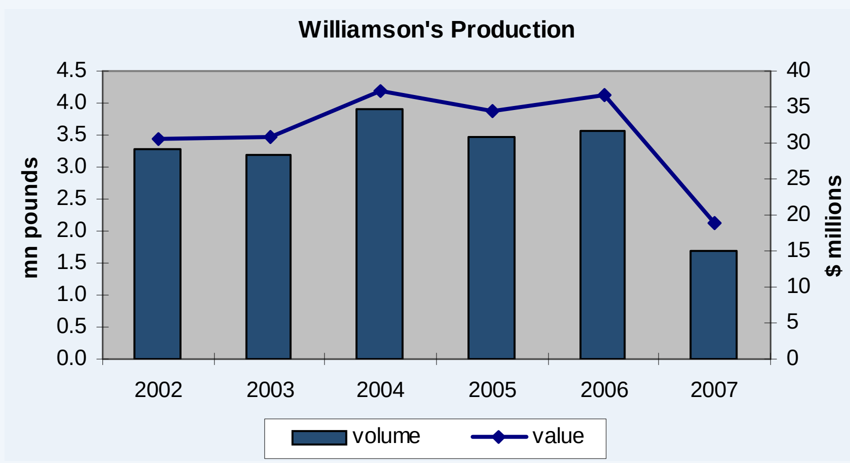
Source: Statistical Institute of Belize

Contrasting with this was a 30.1% contraction in persons engaged in fishing that was due to the fall in production and the sale of more head-on, shell-on shrimps that require less processing. Construction jobs also declined by 8.4% in view of the delays in major construction projects such as the Belize Sugar Industries Limited (BSI) co-generation plant, Ara Macao and the Stake Bank developments. Other categories with lower employment were 'Transport and Communication','Real Estate and Renting', 'Financial Intermediation', and 'Community, Social and Personal Services'.

Box 3: Williamson Industries Limited – Short-Term Prospects

Williamson Industries Limited, a branch of Dickie's International, has been conducting operations in Belize under various tax concessions since 1961 (initially under the Development Incentives Act and later under the Expotr Processing Zone (EPZ) Act). The company imports pre-cut fabric from the US, sews the garments in Belize and then exports the finished garments back to the US. In 1983, the US Caribbean Basin Initiative (CBI), which consists of the Caribbean Basin Economic Recovery Act (CBERA) and the Caribbean Basin Trade Partnership Act (CBTPA) was implemented and this enabled Williamson to export its garments to the US market duty free. This arrangement significantly improved Belize's competitive position vis-a-vis garment producers in non CBI countries in Asia and Central America.

It now appears however that the CBI is unlikely to be renewed once the CBTPA expires on 30 September 2008. Even though the CBERA is permanently enshrined in US legislation, it requires a waiver from the WTO that has not been obtained subsequent to a formal challenge by Paraguay in 2005. The CBI has therefore been operating without formal World Trade Organization (WTO) sanction since then. The US has indicated that any future free trade agreement to be negotiated with CARICOM should follow the pattern of the CAFTA-DR, which is one of reciprocity, whereas Belize's trade negotiators have usually insisted that as a small developing economy, it should benefit from asymmetric special and differential treatment. To date there has been no clear progress in resolving the issue of the type of agreement that should be negotiated as a replacement to the CBI, which had provided non-reciprocal duty free benefits.



With the end of the CBI looming, Williamson downsized its local operations substantially in 2007. In addition to the future loss of CBI benefits, the company cited the high costs of doing business in Belize (port charges, utility rates and telecommunication costs, among others) as a factor in its decision. It claimed that the high level of these charges makes Belize a less attractive place to do business and that these contributed to the loss of production contracts to lower cost producers in Asia and Central America. Consequently, its domestic production during 2007 was 52.7% below the output of 2006 and staff had been reduced to 340 persons by the month of May.

The company's General Manager indicated early in the year that its headquarters had to do strategic planning in view of the expiry of the CBTPA in September of 2008. While the company issued no further formal statement, the company's stance of gradually scaling down its local activities is indicative of a shutdown early in 2008.

Foreign Trade and Payments

After a substantial improvement in the previous year, the external current account deficit more than doubled to $85.2mn (3.4% of GDP). A larger trade deficit was the key determinant as increased outflows in the form of repatriated profits was offset by higher inflows from tourism, remittances and grants. The capital and financial account yielded a surplus of $149.2mn that was derived mostly from foreign investment into tourism, real estate, electricity and mariculture projects. In addition to covering the current account deficit, these funds contributed to a $45.8mn rise in gross official reserves which stood at $217.0mn at the end of the year (equivalent to 2.3 months of merchandise imports).

Merchandise Trade

Growth in imports slackened somewhat with a 4.9% increase that was largely propelled by an 18.3% rise in CFZ trade activity. In comparison, imports for domestic consumption rose by a modest 2.3% (compared to 8.8% in the previous year) with the more notable increases being for milk and milk products, wheat, agricultural chemicals, construction equipment, vehicles, fuels and electricity. Notwithstanding higher CFZ sales and other re-exports, total exports for the year were only 0.3% higher due to a 7.6% downturn in domestic exports. As a result, the merchandise trade deficit widened by 15.6% to $427.1mn (16.9% of GDP).

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

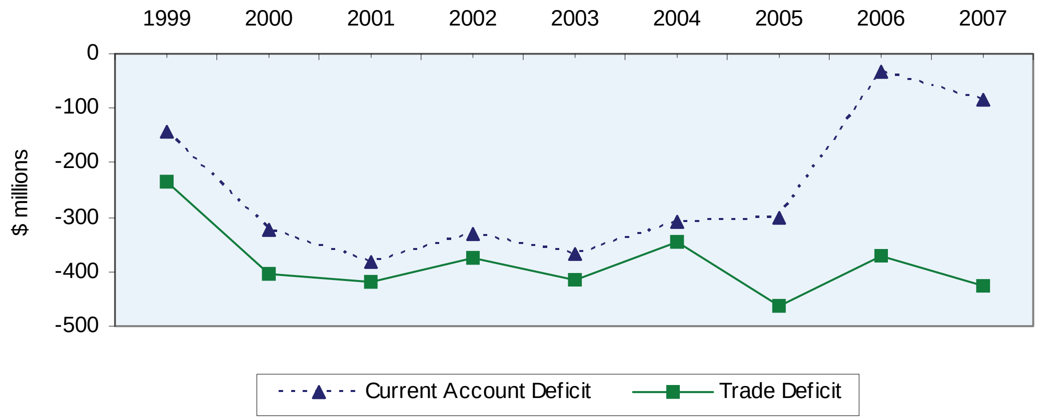
$mn

	2005 Net	2006 Net	2007 Net
CURRENT ACCOUNT	**-302.4**	**-32.4**	**-85.2**
Merchandise Trade	-462.0	-369.6	-427.1
Services(1)	286.0	447.3	463.3
Income(2)	-228.9	-258.1	-308.2
Current Transfers	102.4	147.9	186.8
CAPITAL ACCOUNT	**5.9**	**18.3**	**8.2**
FINANCIAL ACCOUNT	**288.7**	**138.2**	**141.0**
NET ERRORS & OMMISSIONS	-16.6	-24.5	-18.1
OVERALL BALANCE	-24.4	99.6	45.8
FINANCING	24.4	-99.6	-45.8
Memo Items:			
Import cover in months	**0.8**	**1.8**	**2.3**
Current Account/GDP Ratio (%)	**13.6**	**1.3**	**3.4**

(1) Tourism earnings for 2005 were based on actual inflows into the banking system, while estimates for 2006 and 2007 were based on Visitor Expenditure Surveys.

(2) 2006 and 2007 data include an estimate for profit remittances from the tourism industry.

Chart IV.1: Current Account Deficit and Trade Balance



Domestic Exports

Petroleum was the sole exception to across the board declines in the major domestic exports in 2007. Weaker prices in some export markets contributed to the contraction but for the most part the principal cause was volume declines that ranged from 4.0% to over 50.0%.

Sugar and Molasses

The hurricane had no effect on the level of sugar exports since the sugarcane harvest had already been closed. Production was nevertheless lower due to a froghopper infestation and exports consequently declined by 13.7% to 83,132 long tons, while earnings fell by 11.9% to $88.1mn. The slightly lower percentage decline in revenue was due to a temporary hike in volume sold to the preferential European Union (EU) market and price improvements in regional markets. Sales to the EU (which accounted for 80.8% of Belize's sugar exports) were up by 20.9% to 67,187 long tons, as tonnage sold under the EU Protocol sugar quota was boosted by a further 31,620 long tons under the new three year EU Complimentary Quota (CQ)

Chart IV.2: Domestic Exports by Commodities

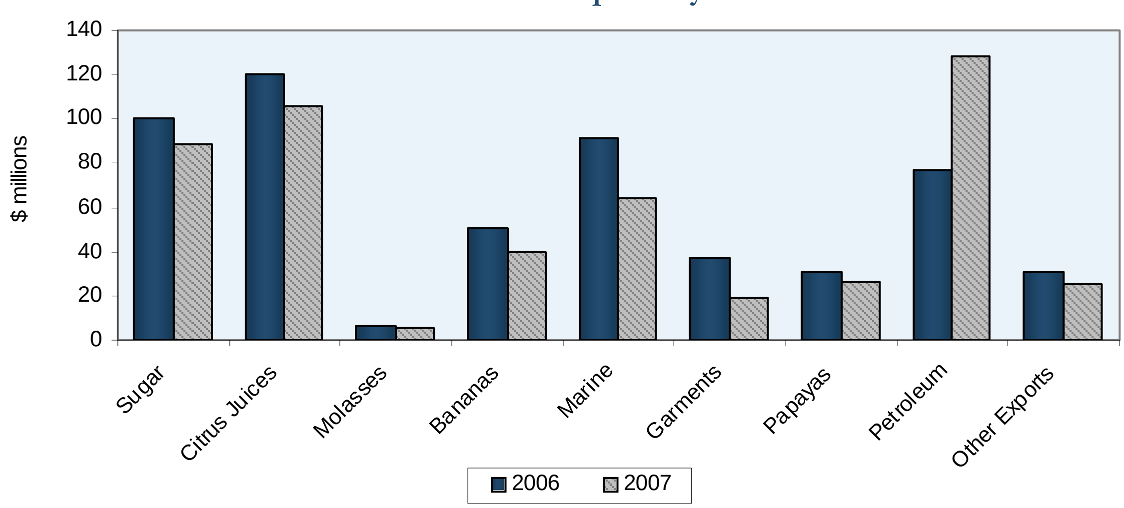
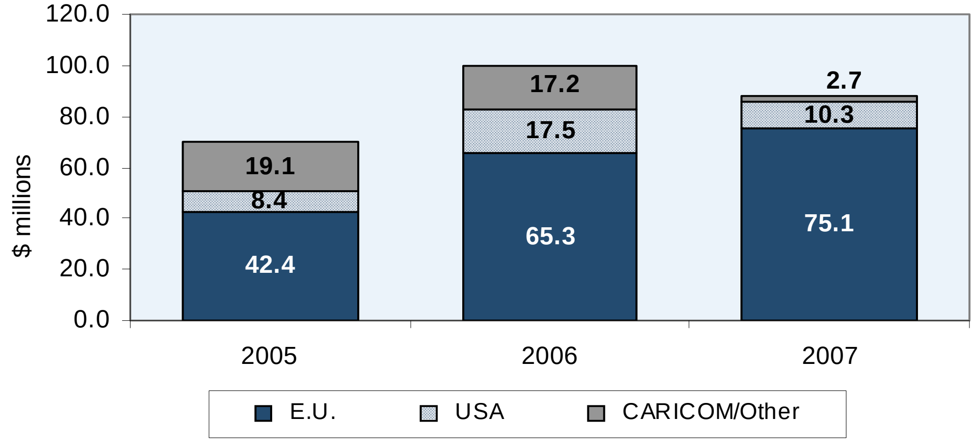


Chart IV.3: Sugar Exports by Market



program. The latter replaced the Special Preferential Sugar quota, which ended in June 2006. In addition to its annual CQ allocation of approximately 12,000 long tons, Belize sold sugar to meet the temporary CQ shortfalls of other Caribbean countries during the year. While EU prices were unchanged during the second of the four-year programme of scheduled price cuts, earnings did not rise proportionately with volume due to higher freight costs since sugar is sold to the EU on a c.i.f. basis.

The US market accounted for 15.8% of Belize's sugar exports in 2007. Since domestic production in that market was on the rebound and there was no temporary increase in quota, exports reverted to normal levels of 13,143 long tons, down 30.1% from the previous year. Earnings fell by 41.1% to $10.3mn as the average price per pound dipped from US$0.21 to US$0.17, influenced in part by declining world raw sugar prices following a larger than expected output in most sugarcane-producing countries, particularly Brazil and India.

The diversion of sugar to the more profitable EU market reduced the quantity available for sale to CARICOM and other regional markets. Sales of bagged sugar (a premium product) to CARICOM plummeted by 88.7% to 2,215 long tons, while exports of the same to Canada and Curacao shrank by 74.3% to 587 long tons.

Although exports of molasses increased by 17.1% to 41,097 long tons, earnings fell by 7.3% to $5.8mn due to a decline in the average price from $178.46 to $141.25 per long ton in response to higher Asian supplies and freight charges.

Citrus Juices and Pulp

With less abundant domestic supplies of orange juice and international demand for grapefruit juices weakening, exports of citrus concentrates fell by 24.3% to 32.4mn ps. Receipts suffered a smaller decline (of 11.6% to $106.1mn) as stronger orange concentrate prices mitigated the revenue loss. Sales were largely restricted to concentrates because of its wider profit margins, the high freight charges associated with the shipping of NFC and delays in launching the export of value added products.

Notwithstanding a 20.3% fall in the export volume of orange concentrate, earnings from this product were down by only 0.6% to $94.3mn as prices rallied across all markets. Part of this was due to the greater than anticipated decline in US citrus production resulting from cold temperatures during the bloom period and lingering stress from hurricanes and diseases. With their juice inventories falling to the lowest level in almost a decade, the US remained Belize's lead market for orange concentrate, accounting for 48.7% of export volume and half of export earnings. Because of the tighter state of its own inventory, Belize was unable to capitalize fully on the situation and its sales of orange concentrate to the US were down by 34.9% to 14.0mn ps with the revenue decline being moderated to 22.9% due to the $0.52 improvement in the average price per ps. With a $0.62 improvement, the average pound solid price was even higher in the Caribbean and sales to this smaller regional market rose by 56.7% with earnings being doubled. As in the case of sales to the US, the fall in the level of orange juice inventory was partly responsible for a 40.9% fall in export volume to the EU, while a 64.7% price improvement held the revenue decline to 3.1%.

In contrast to developments in the orange juice market, international prices for grapefruit juices were pressured downward by the nearly 30.0% rebound in US domestic grapefruit production and continued weakening in US domestic consumption. These bearish market conditions led to a 46.1% drop in grapefruit concentrate sales to 3.6mn ps and the more than halving of earnings to $11.9mn. The largest decline was in the US market where sales virtually disappeared, falling from $7.1mn in 2006 to a mere $0.1mn in 2007. Export volume to Europe, the major market that accounted for 66.8% of total grapefruit concentrate sales, contracted by 34.7%, and receipts were down by 44.2% as the average unit price weakened by 14.5%. Sales to the Caribbean fell by 17.3% in volume and 6.3% in value. The market for grapefruit freeze concentrate also weakened with volume and earnings down by 12.6% (to 0.6mn ps) and 14.7% (to $2.6mn), respectively. An increase in aseptic pulp production capacity boosted pulp exports by 14.2% to 2.3mn pounds valued at $1.5mn.

Banana

A sluggish start to the harvest stemming from the incidence of Sigatoka disease during the last half of 2006 combined with production cut backs on some farms due to uncertainties arising from the EU's first come, first served, tariff-only, import regime caused a 16.8% decline in banana export volume to 59,018 metric tons. The revenue decline (by 21.3% to $39.8mn) was even larger because of a

6.6% fall in the average box price and the industry's payment in 2007 of its 50.0% share of the out of quota tariffs incurred on the 2006 exports. The latter was paid by way of the deduction of approximately US$0.24 per 40lb box of fruit sold during 2007. No second class bananas were exported during the year and quality penalties on a per box basis were down by 37.1%. Growers consequently netted a final box price of $11.93 compared to $12.84 in 2006.

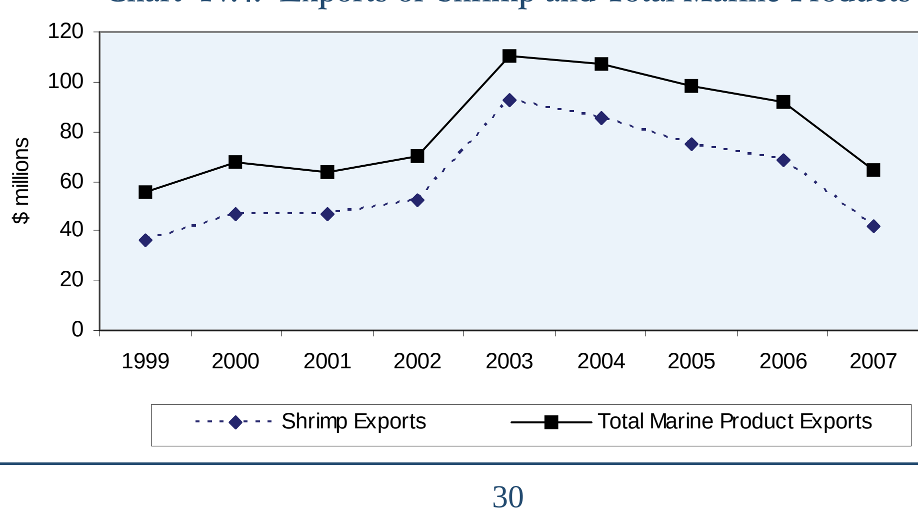
Marine Products

Across the board declines in all products except lobster caused a contraction in annual marine exports for the third consecutive year. Export volume and earnings were down by 31.5% to 13.2mn pounds and 29.9% to $64.2mn, respectively. The downward trend largely reflected reductions in farmed shrimp as the wild capture of lobster and conch fluctuated cyclically in accordance with their reproductive patterns.

With two farms being taken out of production (including the largest which went into receivership in late 2006), disease problems and the cost cutting strategy of shifting to one harvest cycle during the year, shrimp export volume shrank by 32.7% to 11.9mn pounds and earnings were down by 38.6% to $41.7mn. The Mexican market became more important due to its proximity and also because of the heightened competition being faced from low cost Asian producers for the US market. Since a higher share of export volume went to Mexican importers who buy whole shrimp at a farm gate price, this contributed significantly to the 8.8% fall in the average price to $3.51 per pound.

Lobster export volume rose by 15.0% to 0.4mn pounds and with the price rising by 0.5% to $35.14 per pound, revenues were up by 15.6% to $16.1mn. However, in addition to the adverse impact of bad weather on its marine habitat, there were concerns about the long term sustainability of the industry due to over-harvesting. It was proposed that this be addressed through new regulations that would raise the minimum harvest size from

Chart IV.4: Exports of Shrimp and Total Marine Products



Box 4: CARIFORUM-EC Economic Partnership Agreement

On December 16, 2007, the European Commission (EC) and CARIFORUM (CARICOM and the Dominican Republic) countries initialled a comprehensive Economic Partnership Agreement (EPA) in Bridgetown, Barbados that replaces the Lomé IV trade arrangement. Its signing establishes a free trade area between the EU and African Caribbean Pacific (ACP) countries that conforms to World Trade Organisation (WTO) rules and therefore circumvents the increasingly hostile pressure being exerted by non-ACP countries against the non-reciprocal, preferential, market access provided under the Lomé Convention.

The key elements of the CARIFORUM-EC EPA are the asymmetrical approach to trade in goods and its inclusion of services and investment. CARIFORUM is permitted to exclude specific goods considered to be sensitive and is allowed a longer transition period for the removal of tariffs on products that are being liberalized. The liberalization of services is also asymmetrical, with the EU opening up more sectors than CARIFORUM, while the latter made special provisions to protect small and medium enterprises in certain sectors and maintains the right to regulate any sector or economic activity in accordance with national policy objectives.

Some of the highlights of the Economic Partnership Agreement are:

- Duty-free-quota-free (DFQF) market access for all goods other than rice and sugar that meet the qualifying rules of origin with effect from January 1, 2008. Sugar will be DFQF from end September 2009 and rice from 2010.

- Exclusions and a long phase-in period of up to 25 years for sensitive products.

- CARIFORUM received an additional 60,000 tonnes in sugar quota that is split equally between the Dominican Republic and CARICOM, while the rice quota becomes duty free.

- The EU made a commitment to eliminate export subsidies on all agricultural products that CARIFORUM agreed to eliminate tariffs on.

- In the liberalization of services, the Dominican Republic opened more than 90.0% of its service sector, CARICOM 's coverage ranged from 65.0% to 75.0%, and the EU liberalized more than 90.0%. The agreement also contains regulatory principles governing some services and provides for greater cooperation.

- Investment issues focused on transparency, predictability, non-discriminatory treatment and the safeguard of environmental and social standards.

- A protocol on culture that provides for the easier movement of CARIFORUM artists and co-production of audio-visual material.

cont'd...

Box 4: CARIFORUM-EC Economic Partnership Agreement (cont'd)

- In the area of development cooperation, EU commitments were made to promote private sector and enterprise development, enhance international competitiveness of CARIFORUM firms and boost the diversification of its economies. Other provisions were made with the aim stimulating innovation and enhancing the technological and research capabilities of the CARIFORUM states.

- The establishment of a regional development fund within two years of the date the EPA is signed. Funding under the 10th European Development Fund (EDF) (which is now considered as a complement to the EPA) is estimated at • 165mn, with • 132mn to be applied to the Regional Indicative Programme (of which 85% would go to the Focal Area of Regional Cooperation/Integration and EPA Capacity Building and 15% would be devoted to the non-focal area of vulnerabilities and social issues) and • 33mn would be earmarked to assist countries in meeting their EPA commitments.

In addition, the Agreement included all other elements necessary for a Free Trade Area (FTA) agreement, such as non-tariff measures, trade defence instruments (anti-dumping and countervailing measures, multilateral and bilateral safeguards), special provisions for administrative cooperation in customs matters, and protocols of rules of origin. The EU agreed to provide technical assistance in several areas, including capacity development to meet sanitary, phytosanitary standards, regulatory and market requirements.

Sources: www.europa.eu; www.crnm.org; http://trade.ec.europa.eu

4 ounces to 5 ounces with the new requirements to be gradually phased in starting June 2008. Full compliance would be required by June 2010 in order to maintain access to the US market.

After hitting a cyclical peak in 2006, the conch catch declined by 25.5% to 0.5mn pounds. Earnings were further depressed (by 33.5% to $5.4mn) due to a 10.7% price fall that was the result of increased regional export volumes in the period after the lifting of the moratorium on conch exports from Haiti, Dominican Republic and Honduras.

Exports of fillet/whole fish also suffered volume and value reductions of 32.8% and 23.3%, respectively, with the decline being mostly attributable to a fall in fresh tilapia exports as the production problems of a large tilapia farm led to a 30.0% cut in its output. Exports of other marine products, namely stone crab, were minimal.

Other Major Exports

After exceeding 3.0mn pounds and $30.0mn in each of the previous six years, garment exports sank to 1.7mn pounds valued at $18.8mn. The sharp decline reflected production cut backs by Williamson Industries, a major garment factory, as its US head office shifted contracts to lower cost producers in Asia and Mexico. The re-location was largely influenced by the looming expiration of duty-free access to the US market in September 2008. By year-end, virtually all activities at the factory had ceased.

Papaya started brightly with a 31.5% surge in export volume up to August, but this was interrupted by hurricane destruction of the majority of groves in the north of the country. With subsequent monthly export volumes trailing far below those of the previous year, the volume and value of annual exports declined by 4.0% to 72.9mn pounds and by 15.9% to $26.1mn, respectively. The revenue loss was exacerbated by a 12.2% fall in the average price per pound that was largely due to increased production from Mexico, the lead supplier to the US.

With so many of the major export commodities experiencing declines, petroleum became the lead export earner in only its second year of production with volume up by 34.1% to 956,476 barrels and earnings rising by an estimated 66.1% to $127.9mn. The average price per barrel used in calculating the free on board (f.o.b). value was US$66.85, a 24.0% increase that was partly due to a reduction in the quality differential with the Cushing West Texas Intermediate (WTI) price and higher international prices caused by cutbacks in Organization of Petroleum Exporting Countries' (OPEC) crude oil production, falling global inventories, growing worldwide demand and rising geopolitical tensions in Iran, Latin America and elsewhere.

Non-traditional Exports

Lower earnings from veneer sheets/ plywood, fresh oranges, orange/grapefruit oils and a medley of other non-traditional products overshadowed higher revenues from beans, pepper sauces and sawn wood resulting in an overall decline of 15.5% to $25.6mn in the value of non-traditional exports. While earnings from both orange and grapefruit oils were down, the largest decline was in grapefruit oil which experienced a 52.1% decrease in export volume as well as a 50.2% reduction in the average unit price. In contrast, the out-turn for fresh oranges was shielded by a sharp price increase so that even with a 71.0% reduction in export volume, earnings from this commodity were only 6.8% lower. Also, while earnings from veneer sheet/plywood were down by 69.0% to $0.6mn due to lower volume, income from sawn wood rose to $1.9mn as higher prices more than offset a reduction in volume sold. In other developments, a modest volume increase and a 7.8% price improvement pushed receipts from red kidney and black eye peas up by 22.6%, while a volume increase accounted for a 5.0% rise in pepper revenue.

Re-exports

Re-exports expanded by 14.1% to $354.6mn, reflecting a 29.9% increase in re-exports from the customs area as well as a 12.1% rise in CFZ sales. Notwithstanding hurricane damage, fire losses and flooding in the Mexican state of Tabasco that deterred regular and potential customers, CFZ cross border sales were brisk. Competitive pricing in the zone helped to boost sales as more merchants sourced goods directly from lower cost suppliers in Asia and elsewhere. Another key factor was the agreement of the Mexican customs to raise the ceiling on import allowances for Mexicans shopping in the CFZ during peak periods of the year. Other re-exports grew primarily as a result of transactions by EPZ companies and increased sales of vehicles and batteries.

Gross Imports

Import growth decelerated slightly with an overall increase of $60.2mn that included increases of $23.2mn for the custom's territory and $37.0mn for the CFZ. While CFZ imports were 18.3% higher, those for the custom's territory were up by only 2.3% principally due to a 37.6% contraction in imports by EPZ companies. The latter reflected lower demand due to production declines as well as a return to normalcy after one-off capital investments that occurred in 2006.

Aside from this, there were general increases in most import categories. The largest was in 'Machinery and Transportation Equipment' which was up by $29.2mn due to higher purchases of motor vehicles, aircraft engines, heavy construction equipment, electric generators and tractors. 'Minerals, Fuels and Lubricants, including electricity' followed with an $18.9mn increase that was mostly due to a $13.2mn rise in imports of Mexican electricity and, to a lesser extent, an average 2.7% increase in the acquisition cost of fuel. Higher outlays on corn seed, milk, cheese, other milk products, wheat and feed largely accounted for a $15.8mn increase in 'Food and Live Animals' purchased from abroad and additional outlays on fertilizers, insecticides, and herbicides explained a $7.7mn increase in 'Chemical Products'. Minimal increases in 'Crude Materials' and 'Manufactured Goods' of $1.8mn and $1.1mn, respectively, were recorded.

Direction of Visible Trade

During the year, there was a dramatic shift in trade direction with the EU overtaking the US to become Belize's primary export market (accounting for 32.4% of total exports). The shift reflected higher sugar sales to the UK that outweighed the fall in banana, shrimp and grapefruit concentrate exports to other EU countries. Boosted by petroleum sales that were mostly to Costa Rica, Central America became the second largest export market with 28.4% of total exports. After many years of dominance, the US became the third largest export market with its share falling from 41.8% to 26.6% due to reduced purchases of sugar, citrus concentrate,

Table IV.2: Percentage Distribution of Visible Trade by Country/Area

Percentage

	Exports (1)			Imports (2)		
	2005	2006	2007	2005	2006	2007
United States of America	50.4	41.8	26.6	37.8	37.7	32.7
Mexico	5.6	3.2	1.9	12.3	11.4	12.6
United Kingdom	23.1	16.5	18.0	1.5	1.3	1.5
Other EU	7.2	14.9	14.4	5.0	4.9	3.9
Central America	0.7	12.7	28.4	18.8	20.0	19.3
CARICOM	10.5	8.3	7.0	2.3	2.0	2.0
Canada	0.1	0.1	0.1	1.3	1.1	1.0
Other	2.5	2.5	3.5	20.9	21.7	27.1
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Sources: Statistical Institute of Belize, Central Bank of Belize

(1) exclude CFZ sales

(2) include electricity imports from Mexico

shrimp and garments. The diversion of sugar to the preferential EU market caused a slight reduction in CARICOM's export share from 8.3% to 7.0%, while the drop in Mexico's export share was linked to a fall in the reported value of its shrimp purchases.

Although the US remained the principal source of imports, its market share declined from 37.7% to 32.7% as imports of jewelry, cut fabric and jet fuel fell. Meanwhile, efforts by CFZ importers to obtain goods more cheaply by purchasing directly from Asian countries rather than from regional intermediaries caused the share of goods from other countries to rise (from 21.7% to 27.1%) and a marginal decline in that of Central America to 19.3%. Mexico's share rose slightly due to higher imports of electricity, other liquefied petroleum gases, construction materials, food, beverage and animal feed. While CARICOM's import share was unchanged, that of Canada and other EU countries declined for the third consecutive year as exchange rate movements made their goods less attractive.

Services

Net income from services grew by 3.6% to $463.3mn, as a $48.7mn increase in earnings outstripped the $32.7mn increase in outlays. Most of the growth in inflows was pegged to tourism with travel receipts rising by 7.2% as a result of modest increases in stay-over tourists and average daily expenditure by stay-over and cruise ship visitors. Inflows were also buttressed by higher earnings of shipping agents and larger amounts received by foreign embassies, military and other international entities to fund hurricane relief and other charitable works. After a 5.4% reduction in 2006, outflows resumed an upward trend with a 10.9% increase that was largely due to payments of some $26.1mn in insurance and financial fees required in the process of external debt restructuring, higher international freight costs and a modest increase in expenditure by residents traveling abroad.

Income

Net outflows on the income account were up significantly to $308.2mn with the $50.2mn (19.4%) increase over the previous year being driven by heightened outflows for profit repatriation, private sector interest payments and reinvested earnings of some 78.9%, 20.2% and 18.9%, respectively. These outflows were partly offset by an 11.9% reduction in interest payments by the public sector from savings realized through the restructuring of its external commercial debt as well as a small increase in the Central Bank's foreign interest earnings. On the other hand, the wrap up of construction of the US embassy pushed earnings by local workers lower while payments for foreign labour remained relatively stable. This resulted in net outlays for labour compared to the small net surplus of the previous year.

Current Transfers

Net receipts from current transfers continued an upward trend with a 26.3% increase that included higher net inflows to the private sector and government. Private sector receipts were $24.2mn higher mostly because of family remittances and international transfers to religious and non-profit organizations and, to a lesser extent, credit unions. Of the $81.9mn received in government grants, the majority of which came from the ROC for budgetary support and from Venezuela for poverty alleviation and housing, some $40.0mn was transferred to offshore entities involved with the Universal Health Services (UHS) debt. After payments for other expenses such as fees for membership in international organizations, government's net receipts were up by $14.6mn for a total of $31.6mn.

Capital and Financial Accounts

Unlike 2006, there was no debt forgiveness from the British government and the capital account surplus therefore fell from $18.3mn to $8.2mn. On the other hand, the surplus on the financial account increased by 2.0% to $141.0mn mainly featuring inflows from

Chart IV.5: Net Balances for Services, Income and Current Transfers

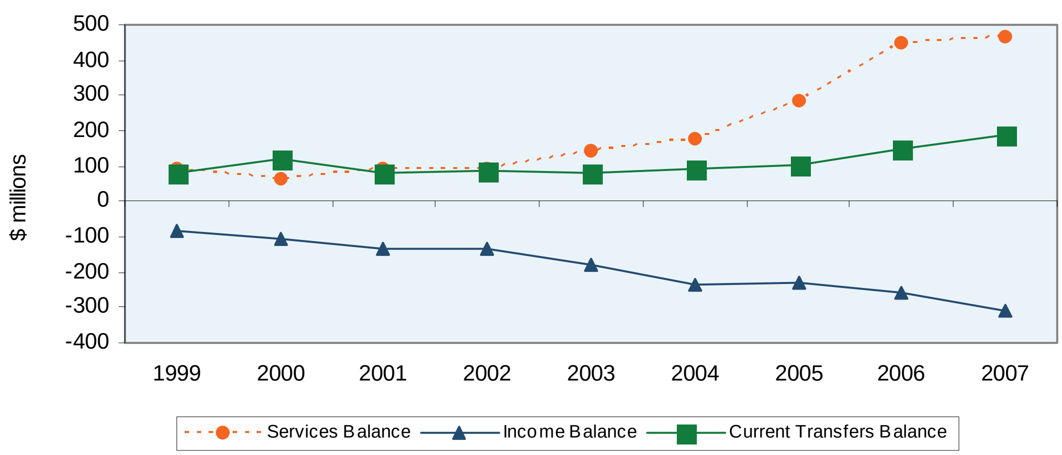
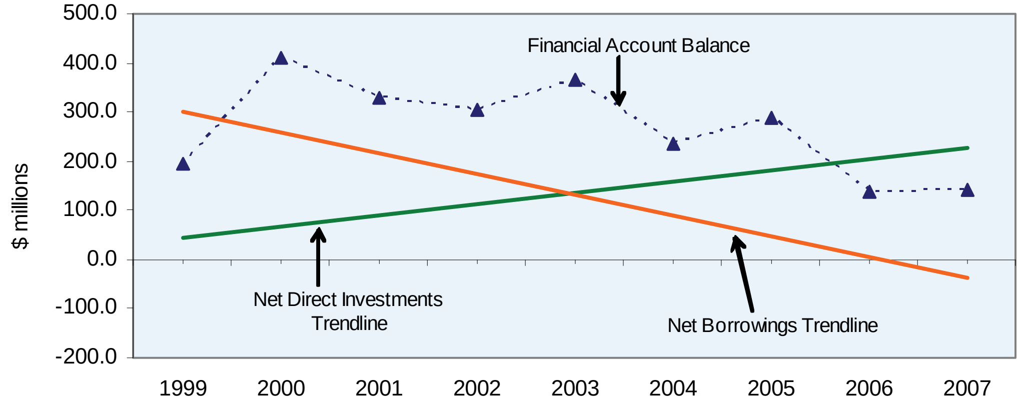
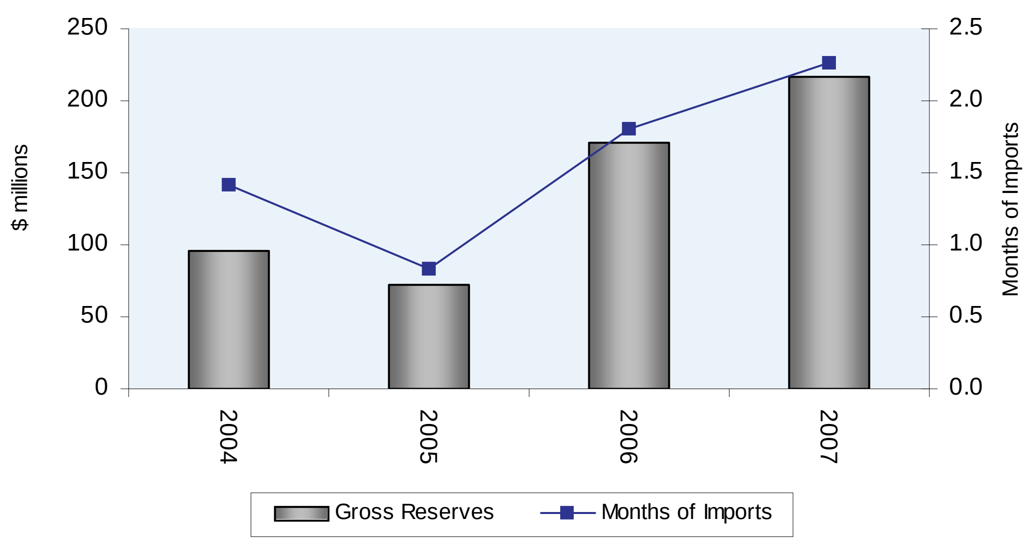


Chart IV.6: Main Components of the Financial Account



foreign direct investment into tourism, real estate, electricity and aquaculture ventures as well as an increase in reinvested earnings of the banking sector. The government successfully restructured its high cost commercial bonds and loans during the year by paying down a small portion and exchanging the majority for a new 'super bond'. This debt exchange and the scaling down of new loan disbursements ensured that the public sector's net impact on the financial account was minimal. In other noteworthy developments, the Central Bank used up some $37.1mn held in escrow accounts to fund part of the government's debt restructuring costs, while foreign exchange inflows to the commercial banks improved their net foreign asset position by $81.4mn. While private sector entities received fairly substantial loan disbursements, their loan repayments were only marginally higher. When combined with a reduction in local deposits held by non-residents, the result was a modest net outflow by the private sector.

Chart IV.7: Gross Official International Reserves and Months of Imports



Box 5: Prospects for Sugar and Banana Exports

SUGAR

The regime under which sugar is exported to the EU will undergo the following major transformation with the implementation of the CARIFORUM Economic Partnership Agreement (EPA) on January 1, 2008 and the ongoing Common Agriculture Policy (CAP) reform process:

(i) Sugar Protocol (SP): Under the CARIFORUM EPA, the SP has been extended to September 30th 2009 and during this time, Belize's traditional quota of 42,000 long tons will be boosted further by 6,331 tonnes reallocated from the St. Kitts quota and a share of the 30,000 tonnes awarded to CARICOM under the recently signed EPA.

(ii) Complimentary Quota (CQ): Subsequent to the discontinuation of the Special Preferential Sugar (SPS) programme in June 2006, Belize was chosen as one of six African Caribbean Pacific (ACP) countries that were awarded Complimentary Quotas (CQ). Under this programme, which began in July 2006 and which will run for three years, ending July 2009, Belize was awarded a basic quota of 12,067 tonnes.

The agreement provides for the reallocation of any unutilised Caribbean sugar export quotas within the region and this consequently expands Belize's export potential since high-cost regional producers may eventually withdraw from the export market.

Under the new regime, it is expected that the Sugar Protocol will be dismantled by October 1, 2009 and replaced by a duty-free, quota-free system (DFQF). This is likely to result in an increase in the level of Belize's sugar exports to the EU while lowering the unit price, as:

- free access would be granted for ACP sugar subject to a global ceiling of 3.5 mn tonnes, with non-less developed (LDC) ACP countries like Belize being subject to a pre-specified ceiling on exports from 2009/2010 to 2011/2012 ;

- a 36.0% price reduction for ACP raw sugar would be fully implemented by July 1, 2009, with importers of ACP sugar being required to pay at least •301.7 per tonne until September 2012;

- from October 2012, a price information system will be implemented to aid commercial price negotiations between importers and exporters in a transparent manner; and

- from October 2015, entry of ACP sugar is to be on a duty-free, quota-free basis and subject to a special safeguard clause.

cont'd...

Box 5: Prospects for Sugar and Banana Exports (cont'd)

Despite the impending dismantling of the current regime, uncertainty in exchange rate movements, increasing freight costs and potential future price cuts, the industry expects that the EU price would still be favourable vis-à-vis other markets after September 2009. Consequently, the industry's strategy is to reduce costs and increase exports to the EU to compensate for phased and anticipated price reductions. Part of the processor's cost reduction plan is the installation of a co-generation plant that will lower energy cost while simultaneously encouraging more sugarcane production to meet co-generation needs and the increase in the overall EU sugar quota.

In the longer term, uncertainties persist over the likelihood of further price reductions after 2012 that may be necessary to meet the CAP reform objective of more closely aligning EU prices with the world market price.

BANANA

The preferential access of ACP banana into the EU continues to be under attack in the World Trade Organization (WTO). In a challenge mounted by Ecuador, Columbia and the United States, the WTO dispute settlement body ruled, on December 10, 2007, that the EU's import regime was not WTO compliant. Ecuador and Columbia claimed that the EU's tariff of •176 per tonne failed to maintain total market access for most favoured nation suppliers, while the US questioned the legitimacy of the zero duty tariff-rate quota allocated exclusively to ACP banana. Prior to the dispute settlement process, the EU had offered to reduce the tariff from •176 to •129 as an out-of-settlement solution .

With the implementation of the CARIFORUM EPA on January 1, 2008, ACP banana is to enter the EU on a duty free, quota free basis. The EPA follows a customs union arrangement which is acceptable under the WTO rules and the EU therefore believes that this should remove the basis for a WTO challenge. Nonetheless, concerns still remain that complainants could dispute the EPA if they feel that this agreement is too injurious. The industry's long term viability is also subject to potential price reductions under the EU banana sector reforms and the outcome of the EU free trade negotiations with other trading regions, including low-cost Latin American and African suppliers. An implicit threat is the willingness of the EU to further lower tariff levels which could affect the competitiveness of Belize's banana production.

On the positive side, the inception of the EPA will allow Belize to engage to sell to non-traditional buyers even while ratcheting up its sales to the EU.

Sources:

Agritrade: http://agritrade.cta.int/en/commodities/sugar_sector/executive_brief

http://agritrade.cta.int/en/commodities/banana_sector/executive_brief

CRNM: www.crnm.org/documents/updates_2007/special_rnmupdate_on_epa.htm

CENTRAL GOVERNMENT OPERATIONS & PUBLIC DEBT

Central Government Operations

A more than tripling in foreign bilateral grants together with substantial growth in receipts from the GST, petroleum taxes and sales of crown land underpinned a 27.3% expansion in Central Government revenue during the 2007 calendar year. The growth in revenue was such that even with total expenditure being ramped up by 22.5%, the overall deficit fell by 38.1% to $29.3mn (1.2% of GDP) while the primary surplus grew to 4.2% of GDP.

The deficit was financed from domestic sources with the government's overdraft balance with the Central Bank increasing by $20.0mn and its borrowing from commercial banks also up by $4.2mn. Some $9.9mn in deposits held with the Central Bank and commercial banks was also drawn down with offsetting payments of $3.5mn into several suspense accounts resulting in a net decline of $5.2mn.

Current revenue grew by a robust 14.8% to $649.9mn (25.6% of GDP) with a $60.8mn increase in tax revenue being augmented by a $23.1mn surge in non-tax revenue. Revenues from income and profits posted the largest increase of some $26.5mn (19.4%), with the initial receipt of petroleum income taxes accounting for $14.7mn. Next in line was a $23.9mn (11.5%) increase in taxes on

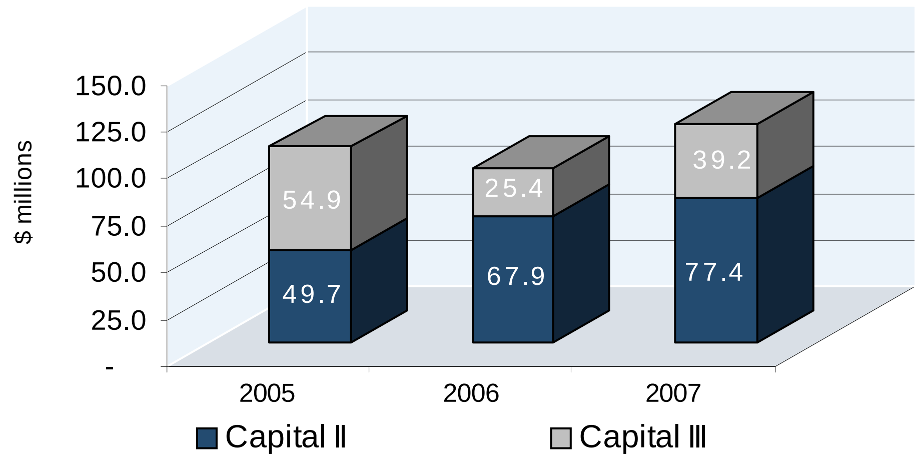
Table V.1: Government of Belize - Summary of Revenue and Expenditure

$mn

	Jan-Dec 2005	Jan-Dec 2006	Jan-Dec 2007	Change during 2007
Current Revenue	511.5	566.0	649.9	83.9
Tax Revenue	457.8	514.5	575.3	60.8
Non-Tax Revenue	53.6	51.5	74.6	23.1
Current Expenditure	561.2	550.8	635.7	84.9
CURRENT BALANCE	**-49.7**	**15.2**	**14.2**	-1.0
Capital Revenue	6.4	10.0	28.4	18.4
Capital Expenditure (Capital II local sources)	49.7	67.9	77.4	9.5
OPERATING SURPLUS	**-93.0**	**-42.7**	**-34.8**	7.9
Total Grants	14.1	25.3	87.2	61.9
Total Revenue and Grants	531.9	601.3	765.5	164.2
Total Capital Expenditure	127.1	97.7	159.0	61.3
Total Expenditure	688.2	648.6	794.8	146.2
of which Interest Payments	149.5	142.0	134.9	-7.1
PRIMARY BALANCE	**-6.8**	**94.7**	**105.6**	10.9
OVERALL BALANCE	**-156.3**	**-47.3**	**-29.3**	18.0
FINANCING REQUIREMENTS	156.3	47.3	29.3	-18.0
Net Privatization Proceeds	44.4	0.0	0.0	0.0
Domestic Financing	-19.0	-8.9	20.4	29.3
Financing Abroad	127.6	56.0	-2.0	-58.0
Other	3.4	0.2	10.9	10.7
Ratio to GDP (%)				
CURRENT BALANCE	-2.2	0.6	0.6	-0.1
OPERATING BALANCE	-4.2	-1.7	-1.4	0.4
PRIMARY BALANCE	-0.3	3.9	4.2	0.3
OVERALL BALANCE	-7.0	-1.9	-1.2	0.8

Sources: Ministry of Finance, Central Bank of Belize

Chart V.1: Central Government's Development Expenditure



goods and services with the first full year of GST collections accounting for 91.6% of this growth. Revenue from taxes on international trade also increased by $8.9mn (5.4%) as higher collections of import duties and environmental taxes more than offset the fall in collections of revenue replacement duties. Some $11.6mn in profits transferred from the Central Bank, $4.4mn more in petroleum royalties and higher collections from other government departments for services such as visas and permits boosted the growth in non-tax revenues. At $28.4mn, capital revenues were elevated by sales of crown land including a 3000 acre portion of northern Ambergris Caye that garnered $12.0mn. Foreign grants peaked at an unprecedented $87.2mn that included $80.8mn in disbursements from bilateral donors such as ROC and Venezuela. Multilateral agencies also provided $6.4mn for projects such as the Basic Needs Trust Fund (BNTF), upgrade of the Customs Department's ASYCUDA software and the Social Investment Fund (SIF), among others.

There was a heightening in all categories of current expenditure during the year except for interest payments which were trimmed after the external debt was restructured. Spending on goods and services was ratcheted up by 51.3%, partly due to the reclassification of certain outlays previously specified as capital expenditure and the one-off payment of $26.1mn in insurance and finance fees incurred with the external debt restructuring. Subsidies and current transfers were also bumped up by 53.5% with the reclassification of contributions to the National Health Insurance (NHI) scheme, statutory bodies (such as the University of Belize (UB), National Institute of Culture and History (NICH), Toledo Institute for Development and the Environment (TIDE), Belize Trade and Investment Development Services (BELTRAIDE), Coastal Zone Management Authority (CZMA) and payments for tertiary scholarships from the capital budget to this line item. The

Box 6: Major Fiscal Initiatives in 2007

20th February, 2007 - The Government Of Belize (GOB) successfully implemented the exchange of external commercial debt for a new super bond with a face value of US$546.8mn that will mature in 2029. The new bond provides for step-up interest rates of 4.25% for the first three years, 6.0% for years four and five, and 8.5% from year seven through to maturity. While 98.1% of the eligible claims were tendered at the time of the restructuring, by year-end 99.1% of the participating claims were actually tendered and exchanged.

21st March, 2007 - Four contracts valuing $12.0mn were signed by five companies to begin the infrastructural phase of the $47.0mn Southside Poverty Alleviation Project. Phase one involves works on drainage, infrastructure, lot filling and street paving in the Lake Independence, Port Loyola, and Collet divisions of Belize City. A major undertaking will be the construction of a canal that will drain both the Lake Independence and Collet areas. Streets in other areas will be widened, resurfaced and provided with more adequate drainage.

29th March, 2007 - UNICEF and GOB signed a Work Plan for 2007 to undertake the implementation of programs budgeted at $2.4mn. The programs are aimed at improving the lives of children, women and families with the specific focus being on guaranteeing basic human rights in areas such as education, health, HIV/AIDS, child protection, child development, poverty, violence, social policy and governance.

30th March, 2007 - The Government signed an agreement to pave the 9.5 mile San Estevan-Progresso Road. Estimated at a cost of $9.5mn, this project will include the installment of culverts and drainage systems to mitigate flooding in the area.

1st April, 2007 - The Statistical Institute of Belize (SIB) was established as a statutory body with the responsibility for collecting, compiling, analyzing and disseminating official statistics. The SIB replaced the Central Statistical Office, which had been a department within the National Development Ministry. As a nascent statutory body, SIB will continue to be dependent on Central Government for aid and resources.

9th October, 2007- The Petroleum Revenue Management Fund Act, 2007, No. 16 of 2007, was passed by the House of Representatives and the Senate to establish, maintain, and operate a Petroleum Revenue Management Fund, into which all revenues collected from the exploitation of petroleum resources in Belize will be paid and kept. Part of these funds will be invested to generate future revenue streams that can be used for the benefit of the country and part will be immediately disbursed to support government projects and spending. The Act will take effect on a date yet to be determined by the government.

31st December, 2007 - Following up from the Social Security Board Inquiry and the recommendations of the Senate Select Committee, the Social Security Act was amended to establish new and improved provisions for the protection of the Social Security Fund. The amendments provided for clarification of the Investment Committee's role, incorporation into the law of the investment framework and guidelines, the publication of the loan and investment portfolio of the BSSB, penal sanctions for breaches of the Act and the Regulations, establishment of an Audit Committee of the Board and the streamlining of the provisions relating to the NHI Scheme.

Sources: Government of Belize Press Releases and The Laws of Belize establishment of the SIB in April, which joined the ranks of statutory bodies entitled to a government subvention, also contributed to the upsurge in subsidies. A 5.1% increase in outlays on wages, salaries, and pensions reflected the usual annual increments awarded to employees as well as a modest increase in staff hiring.

Notwithstanding substantial reclassifications from capital to current expenditure, capital outlays swelled by 62.7% to $159.0mn (6.3% of GDP) as government activity heightened in the run-up to the general elections constitutionaly due in 2008. Expenditure on locally funded (Capital II) and externally funded (Capital III) projects increased by 14.0% and 54.2%, respectively. Concurrently, capital transfers ballooned more than nine-fold to $42.4mn with the transfer of $40.0mn of grant funds to non-resident entities in connection with the controversial UHS debt.

Approximately 24.0% of capital spending went on infrastructural projects that included the upgrading of south-side Belize City, improvement of streets and drains in towns and villages, upgrading of the San Estevan-Progresso road and maintenance of highways and feeder roads. Education accounted for a further 17.7%, and included notable outlays of $6.1mn on free text books for primary schools and $3.4mn on the technical and vocational training project. Social development programs conducted through entities such as the SIF and BNTF accounted for another 14.6% of development outlays. The health sector's share of the capital budget was 10.7% with the majority going on health sector reform. Capital outlays on environmental projects accounted for 7.4% of the total and were slated mostly for land development and management. Other notable expenditures were for national security ($7.1mn), contributions to multilateral agencies ($6.5mn) and purchase of vehicles ($3.2mn).

Central Government's Domestic Debt

Central Government's domestic debt rose by 7.3% to 12.7% of GDP with net new borrowings consisting of $20.0mn from the Central Bank's overdraft facility and $4.2mn from commercial banks. The latter included a $3.4mn disbursement from the Atlantic Bank for the San Estevan-Progresso Road project. A promissory note for $0.3mn was also executed with the Belize Tourism Village to cover Belize Harbour dredging costs.

Amortization payments totalled $11.7mn and included $6.8mn that was paid to the Development Finance Corporation (DFC) using funds borrowed from the BSSB. Repayments to commercial banks for various infrastructure loans totalled $2.6mn and $2.1mn was paid to statutory bodies and non governmental organizations (NGO). The latter included payments on the debt for nature swap ($1.2mn), BSSB housing and debt restructuring loans ($0.5mn) and the Reconstruction and Development

Table V.2: Central Government's Domestic Debt

$mn

Instrument	2005	2006	2007
Loans & Advances	140.5	129.1	151.1
Treasury Bills	100.0	100.0	100.0
Treasury Notes	24.0	55.8	55.8
Defence Bonds	15.0	15.0	15.0
Total	**279.4**	**299.9**	**321.9**

Sources: Ministry of Finance, Central Bank of Belize

Corporation (RECONDEV) loan ($0.4mn). Some $0.2mn was paid to the Fort Street Tourism Village (FSTV) for the aforementioned dredging costs.

Of the $25.4mn paid in interest, $14.5mn went to the Central Bank for short-term credit provided through the overdraft facility and Treasury bills and the Bank also received $4.8mn as a result of its holdings of long-term government paper. A total of $4.4mn went to the commercial banks with $2.6mn representing interest on infrastructural development loans and $1.8mn on their portfolio of government securities. Statutory bodies and the debt for nature swap accounted for $1.1mn and private entities received $0.7mn for securities held and loans extended.

External Public Sector Debt

In order to bring external debt servicing onto a more sustainable footing, the government restructured $1,134.3mn in commercial bonds and loans early in the year by paying down a small portion and exchanging the remainder for $1,082.0mn in a new 'super bond'. As a result of the restructuring and with new borrowings being confined to project oriented and budget support loans from bilateral and multilateral sources, the public sector's external debt fell by 1.3% to $1,943.6mn (or 76.7% of GDP). Central

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

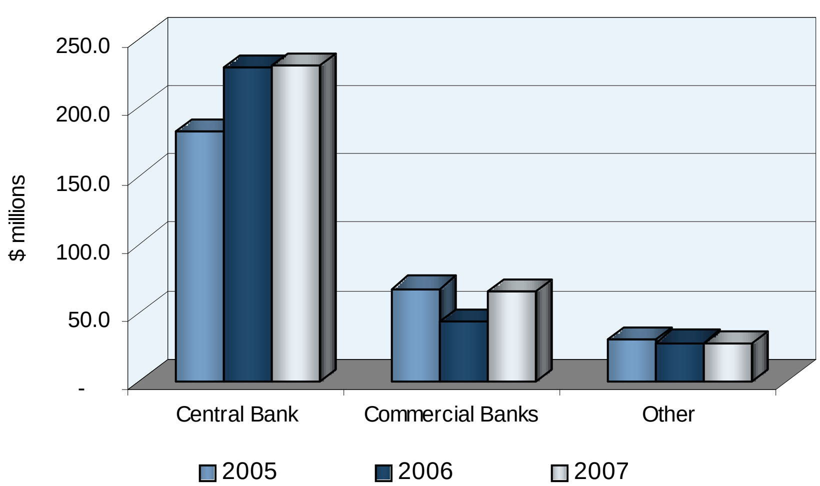


Table V.3: Public Sector External Debt by Source

$mn

	Outstanding Debt 31/12/2006	Disbursement	Amortization	Interest & Other Charges	Valuation Adjustments	Outstanding Debt 31/12/2007
Bilateral	426.4	45.8	142.6	19.6	1.5	331.1
Bonds	999.0	1,082.0	937.7	73.7	0.0	1,143.4
Commercial Banks	121.6	0.0	110.7	4.2	0.0	10.9
Multilateral	422.9	74.5	42.6	20.6	3.5	458.2
Suppliers Credit	0.2	0.0	0.2	0.0	0.0	0.0
Total	**1,970.1**	**1,202.3**	**1,233.8**	**118.1**	**5.0**	**1,943.6**

Government accounted for 93.8% of this.

Multilateral disbursements of $74.5mn included $55.0mn in Caribbean Development Bank (CDB) and Inter-American Development Bank (IADB) policy based loans and $4.9mn from OPEC for the Belize City southside infrastructural project. Bilateral disbursements of $45.8mn were received consisting of $20.0mn from ROC and $25.8mn from Venezuela.The Venezuelan loan was a mixture of short and long term credit to finance fuel purchases under the CARICOM-Venezuela Petrocaribe initiative. A Belize-Venezuela trade credit agreement allows for 40.0% to 50.0% (depending on the world price of crude oil) of the fuel import cost to be treated as a long term loan and the balance to be paid off within 90 days. At year-end, the public sector debt was comprised of bonds (58.8%), multilateral loans (23.6%), bilateral loans (17.0%) and commercial loans (0.6%).

Central Government's loan repayments consisted of $39.7mn to bilateral lenders, $24.0mn to multilateral creditors, $5.0mn to BWS Finance Limited, $0.2mn to commercial suppliers as well as the paying down of $52.2mn on the restructured commercial bonds. Repayments by the financial public sector totaled $26.6mn with $16.7mn going to multilateral lenders, $8.6mn to bondholders and the remaining $1.2mn being paid to commercial suppliers and bilateral creditors. In the non-financial public sector, the Belize Water Services Ltd (BWSL) paid off its remaining loans with Amtrade International Bank and CIBC Bank that totalled $1.5mn, while the Belize Airport Authority paid $1.9mn to CDB and $0.7mn to the Government of Kuwait.

Interest and other payments amounted to $118.1mn with Central Government accounting for 93.0% of these outlays. Some $49.5mn consisted of accrued interest paid as a participation fee under the debt restructuring and another $24.0mn was expended when the first interest payment on the 'super bond' fell due. The government also paid $17.1mn to bilateral creditors, $17.4mn to multilateral lenders and $1.5mn to BWS Finance Limited. The financial public sector paid $4.9mn to Belize Mortgage Company (BMC) and $1.6mn to multilateral creditors, while payments by the non-financial public sector went mostly to CDB ($1.4mn).

The debt stock increased by $5.0mn with upward valuation adjustments of $3.2mn, $1.4mn and $0.1mn, respectively, in euro, Kuwait dinar and pound sterling denominated loans. The loans denominated in Special Drawing Rights (SDR), which is based on a basket of currencies, were also adjusted upwards by $0.2mn.

Table V.4: Public Sector and Publicly Guaranteed Debt

	2005	2006	2007
(in millions of BZ dollars)			
Public Sector & Publicly Guaranteed Debt Outstanding (end of period)	**2,422.1**	**2,431.5**	**2,412.1**
Public Sector Debt	**2,280.2**	**2,298.0**	**2,281.4**
External:	**1,939.5**	**1,970.1**	**1,943.6**
Central Government	1,772.0	1,821.0	1,823.7
Non-Financial Public Sector	46.3	41.1	37.4
Financial Public Sector	121.2	108.1	82.6
Domestic:	**340.7**	**327.9**	**337.8**
Central Government	279.4	299.9	321.9
Other Public Sector	61.3	28.0	15.9
Publicly Guaranteed Debt	**141.9**	**133.5**	**130.7**
External:	**108.2**	**97.7**	**88.2**
Other Public Sector	1.7	1.7	1.7
Privatized Enterprises	69.7	64.5	60.4
Private Enterprises	36.8	31.5	26.1
Domestic:	**33.7**	**35.8**	**42.5**
Private Enterprises (1)	33.7	35.8	42.5
(in percent of GDP)			
Public Sector & Publicly Guaranteed Debt Outstanding (end of period)	**108.6**	**100.2**	**95.2**
Public Sector Debt	**102.3**	**94.7**	**90.0**
External:	**87.0**	**81.2**	**76.7**
Central Government	79.5	75.0	72.0
Non-Financial Public Sector	2.1	1.7	1.5
Financial Public Sector	5.4	4.5	3.3
Domestic:	**15.3**	**13.5**	**13.3**
Central Government	12.5	12.4	12.7
Other Public Sector	2.7	1.2	0.6
Publicly Guaranteed Debt	**6.4**	**5.5**	**5.2**
External:	**4.9**	**4.0**	**3.5**
Other Public Sector	0.1	0.1	0.1
Debt for Privatized Enterprises	3.1	2.7	2.4
Private Enterprises	1.7	1.3	1.0
Domestic:	**1.5**	**1.5**	**1.7**
Private Enterprises	1.5	1.5	1.7

Sources: CBB, Ministry of Finance

(1) Includes the UHS debt w hich is currently being litigated in the court.

MONETARY & FINANCIAL DEVELOPMENTS

Fueled by a credit upsurge and foreign exchange inflows, growth in M2 (broad money) accelerated to 15.4%, a sizeable expansion that was rather atypical of a weakening economy with modest annual inflation. The monetary expansion was strongest in the first semester, particularly in the first quarter, which is the period when inflows for merchandise exports and tourism are normally highest. The pace slackened in the second quarter and came to a practical standstill in the third when economic activity was disrupted by Hurricane Dean. Transactions by a private utility involving foreign loan repayments and buyback of shares also exerted a significant contractionary effect on the money supply during this period. The regaining of momentum in the last quarter coincided with the opening of the tourism high season and receipt of inflows for the Ambergris Caye land sale and, to a lesser extent, disbursements from foreign reinsurers.

The sharpest expansion was in quasi-money which almost doubled its growth rate to 16.3% reflecting a marked buildup in time deposits held by individuals as well as by the BSSB. In a notable development, the latter discontinued sterilizing its monthly surpluses with the Central Bank in a search for higher returns and shifted deposits to commercial banks that bid up the interest rate in order to attract the business of the largest depositors. Meanwhile, although growth in narrow money (M1) slowed, it was still vigorous at 14.0% with currency in general circulation rising by 12.1% while savings/chequing and demand deposits (most of which are held by businesses and individuals) were up by 9.7% and 16.9%, respectively. Whereas the

Chart VI.1: Ratio of M2 to GDP

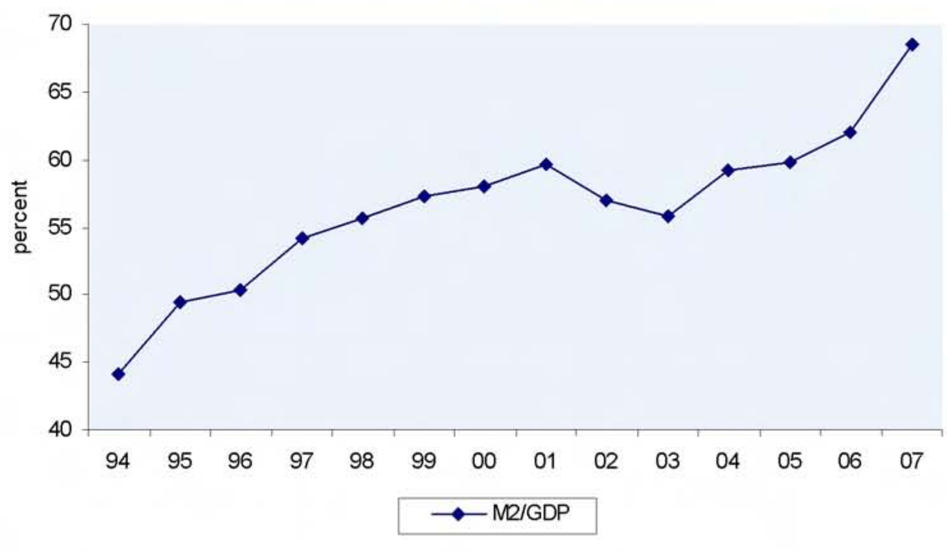
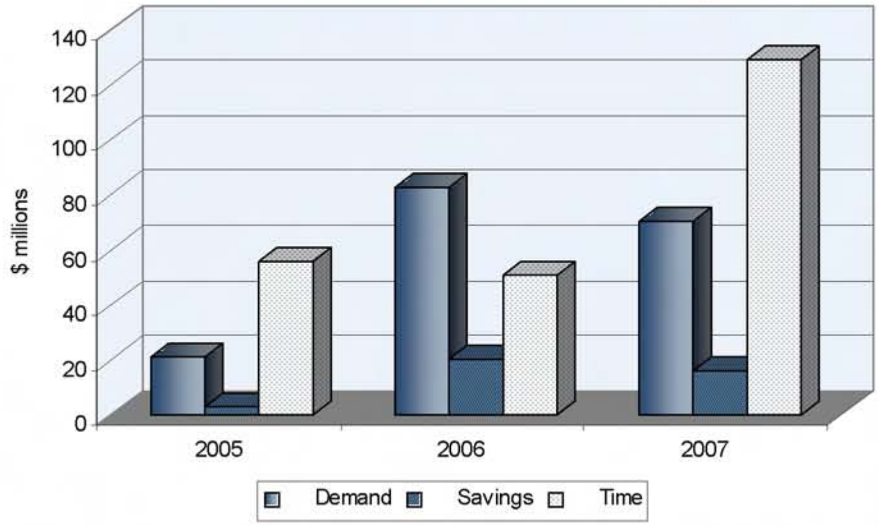


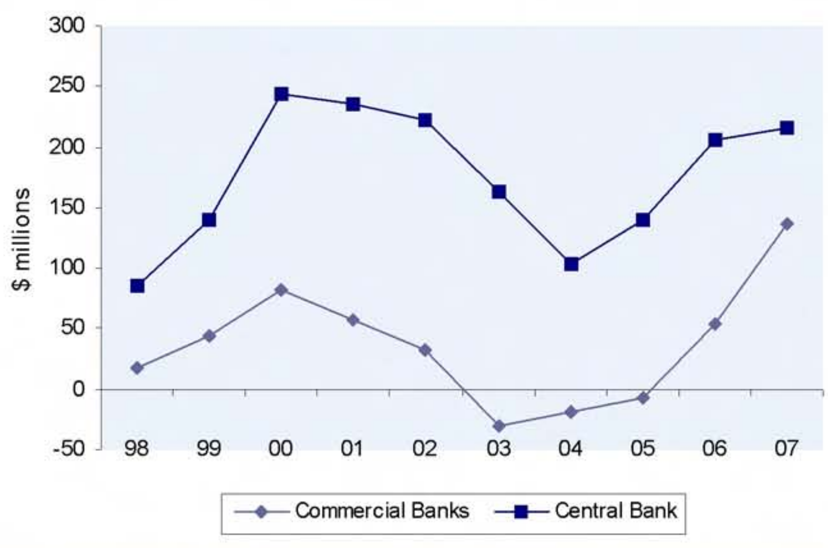
Chart VI.2: Growth in Commercial Bank Deposits



quarterly growth in quasi-money was rather steady, M1's increase was mostly in the first half of the year since a substantial decline in the third quarter almost fully offset a fourth quarter rebound.

Bank liquidity benefitted from elevated inflows (mostly from tourism, remittances and foreign direct investment) that allowed for a 149.1% ($81.4mn) improvement in the net foreign assets of the commercial banks even as the pace of credit to the private sector accelerated. In addition to the $22.9mn increase in their foreign assets, the banks were able to repay some $58.5mn (46.5%) of outstanding short term foreign liabilities owed to affiliates and head offices. In contrast to this buoyancy, there was only a modest 4.2% ($8.7mn) improvement in the Central Bank's position as external debt service

Chart VI.3: Annual Change in Net Foreign Assets of the Banking System

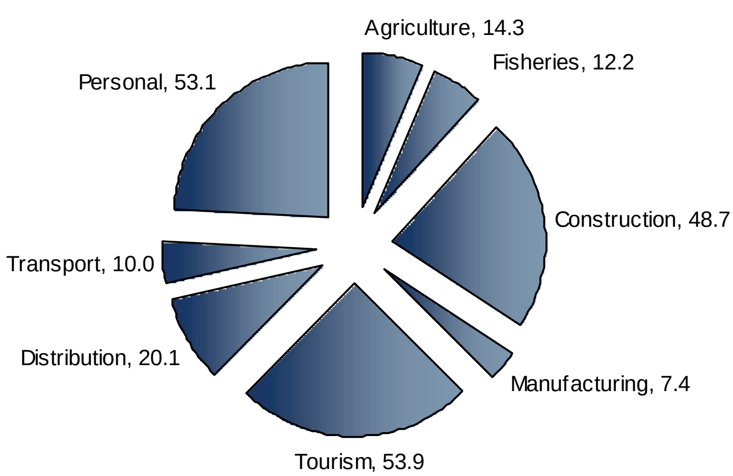


payments consumed the bulk of inflows. At $353.9mn, these inflows were 10.7% below those of the previous year. Loan disbursements, purchases from the commercial banks, and sugar export receipts accounted for 27.4%, 20.5% and 17.3% of the total, respectively. In addition, bilateral grants and payments by petroleum companies combined for approximately 19.4% with investment interest and miscellaneous cheques making up the remainder. Foreign exchange outflows rose by $14.5mn to $345.6mn with external debt payments accounting for 92.1% of the total.

Lending activity was unexpectedly brisk given the deceleration that occurred in some sectors. After a modest 2.1% increase in the first quarter, loans to the private sector accelerated to yield an overall expansion of 15.4%. The largest disbursements were for personal loans and the services sector. The latter accounted for 38.4% of the new loans led by outlays for tourism (which was boosted by reclassifications of some $24.0mn from the real estate category) and distributive trade. To a lesser extent, reclassifications also factored in a 15.4% rise in lending for construction that helped to drive allocations for the secondary sector up by 13.3%. While the value of disbursements for the primary sector was comparatively smaller, it nevertheless represented an accelerated increase of 16.8% with funds being principally earmarked for banana and marine products.

The monthly fluctuations in disbursements to the public sector largely reflected timing differences between Central Government's external debt payments and its loan and grant inflows during the year. In the first quarter, the balance on the government's Central Bank overdraft facility rose by $57.9mn and peaked at $146.7mn as sizeable payments were made in connection with the successful completion

Chart VI.4: Private Sector Loan Disbursements ($ millions)

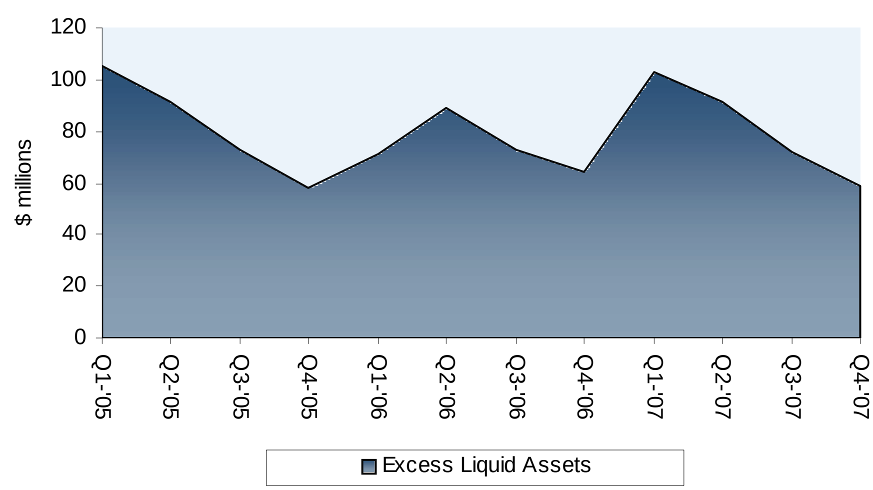


of the debt restructuring program in February. Overdraft financing was reduced thereafter as disbursements and grant inflows, particularly in the mid and ending months of the year, outmatched debt service outflows. At year-end, the government's Central Bank overdraft balance was up by just $20.0mn to $108.8mn and below the statutory limit of $117.3mn. By comparison, disbursements from the commercial banks totaled $4.2mn, while deposits held with the Central Bank and commercial banks were drawn down by a slightly greater amount. Credit to statutory bodies contracted by $12.0mn primarily due to a shift in the BWSL's indebtedness from a commercial bank to the BSSB.

Developments in commercial bank liquidity in 2007 generally conformed to the seasonal trends of the previous two years. After receiving a strong seasonal boost from foreign inflows and rising by 60.0% ($38.6mn) to peak at $102.9mn during the first quarter, liquidity tightened by $44.4mn over the next three quarters as the pace of lending quickened. By the end of the year, banks were holding a total of $58.5mn in excess secondary liquidity which was only $5.9mn lower than the 2006 year-end position and almost identical to the December 2005 position. Similarly, at $8.7mn, the level of excess primary liquidity was identical to 2005 and $6.5mn below that of 2006.

Over the year, commercial banks acquired $17.8mn worth of Treasury bills from the Central Bank in secondary market transactions. This contrasted with the previous year when the banks sold off 50.0% of their portfolio to take advantage of lending opportunities with higher earning potential. Most of the purchases in 2007 occurred during the first and second quarters as banks adjusted their holdings in tandem with the heightening in foreign inflows and

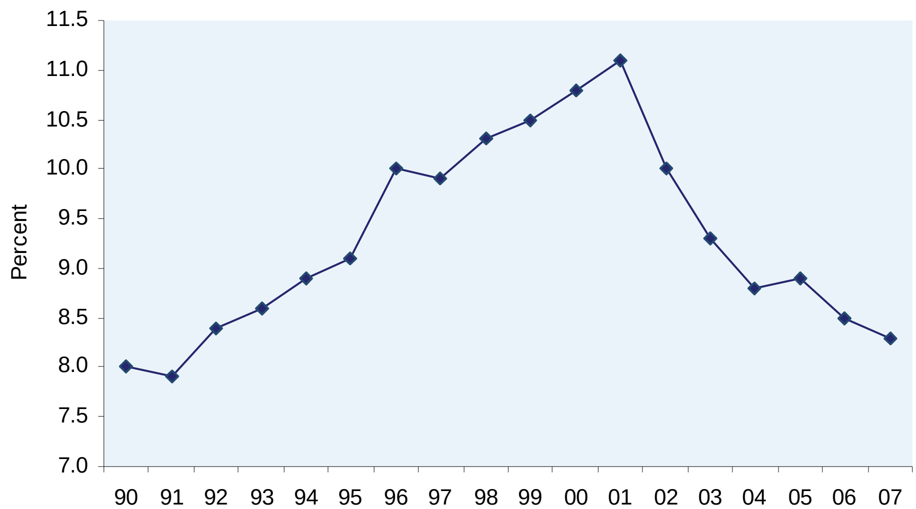
Chart VI.5 : Quarterly Change in Excess Liquidity



moderate loan activity.

Notwithstanding the liquidity boost from external inflows, weighted average interest rates showed a tendency to rise during the year mainly due to competition among banks for large deposits. As a result of the significant variations in liquidity levels among the banks, offers for specific large deposits were as high as 9.5% in some instances. This helped to push the weighted average deposit rate up by 30 basis points to approximately 6.0%. With the weighted average lending rate increasing by 10 basis points to 14.3%, the result was a further narrowing in the banks' weighted average interest rate spread of 20 basis points to 8.3%, the lowest end of year margin in sixteen years.

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



Economic Prospects

The increasing likelihood of a global economic deceleration due to instability in international financial markets and rising inflationary pressures will heighten the need for careful economic management. A necessary step in this direction for Belize involved the successful restructuring of the government's external commercial debt in the first quarter of 2007 that brought a brief respite to the country's debt servicing pressures. While payments are now more manageable, their considerable magnitude ensures that the authorities' fiscal and monetary stances will need to remain conservative in order to maintain solvency and safeguard the fixed exchange rate. Notwithstanding this, the economy should experience real growth of approximately 2.4% in 2008 due to a recovery in export production, the acceleration in government spending in the run-up to the February 2008 general elections and buoyancy in construction.

The external current account deficit may widen during the year mostly due to an increase in the merchandise trade deficit and lower grant receipts. The growth in imports would be due to rising fuel acquisition costs and inputs for large construction projects such as the Vaca Dam and co-generation plant. These should outstrip a projected 4.6% expansion in export receipts stemming from higher earnings from marine products and petroleum as well as continued strong growth in CFZ cross-border sales. Given the rise in average monthly imports, coverage by the official reserves is likely to edge downwards from 2.3 to 2.2 months of merchandise imports.

The primary sector is likely to be the principal driver of growth fuelled by a significant rebound in fisheries, a modest recovery in agricultural output and a moderate increase in petroleum production. With output holding steady at 3,000 barrels per day from the current field, petroleum production should rise by 4.5% to reach 1.1mn barrels in 2008. The expectation is that some 13.0% will go into domestic sales with a portion of this being converted into a more purified product for the home market. Even with this diversion, the volume of petroleum exports should remain virtually unchanged from 2007, while rising international prices should push receipts up by roughly 20.0%.

Agriculture is currently projected to grow by a robust 10.0% with higher output of banana, citrus and grains as well as steady livestock growth outweighing declines in sugarcane and papaya. Farmers are expected to ratchet banana production up by some 17.0% to 4.0mn boxes to take advantage of quota-free, duty-free entry into the EU market under the economic partnership agreement that takes effect at the start of 2008. The decline in citrus production experienced in 2007 should flatten out in 2008, with deliveries rising by a marginal 0.1% to 6.1mn boxes. On the other hand, even with export volume boosted by the draw down of inventory, weaker orange juice prices should push total citrus export earnings down by 9.8% to an estimated $100.0mn. Sugarcane deliveries for the 2007/2008 crop are expected to fall by 8.4% to 1.1mn long tons due to the damage sustained from Hurricane Dean. Proceeding from this, sugar exports are being forecasted at 82,200 long tons valued at $73.5mn, a 16.6% revenue reduction that would be due to the reduced tonnage sold to the preferentially priced EU market and higher freight charges. While papaya production is expected to recover gradually and reach pre-hurricane levels by May, the months in which output is below par will result in annual exports falling by approximately 4.0% to 70.0mn pounds with earnings declining slightly to $25.0mn.

After its substantial contraction in 2007, activity in fisheries is expected to undergo a major expansion of more than 30.0% as substantial previous investments reach fruition and result in a significant boost to farmed shrimp, fresh water tilapia and marine cobia production. An additional upward push is expected from cyclical upturns in the wild capture of lobster and conch.

Contrasting with this, activity in the secondary sector is expected to decline by 10.0% as a moderate expansion in construction due to the continuation of large projects such as the cruise ship docking facility, the Vaca Dam and co-generation plant, among others is likely to be eclipsed by a sharp reduction in manufacturing. The latter would reflect the closure of the Williamson sewing factory and lower sugar production as well as by a 1.3% decline in domestic electricity production in line with forecasted rainfall patterns.

While secondary activity falters, the economy should receive a boost from services with this economic sector expanding by an estimated 4.0% during the year. In addition to relatively strong growth in distributive trade particularly due to the projected increase in commercial free zone cross border trade, activity in tourism should maintain momentum as a 3.7% growth in stay-over tourists more than offsets a 7.2% decline in cruise ship disembarkations. In a continued climate of conservative fiscal and monetary management, consumption should be restrained, so that general government services and community, social and personal services would see only those modest increases necessary for maintaining the efficient provision of these services.

The upward trend in international crude oil prices apparent since the last quarter of 2007 is expected to continue into 2008 and push the domestic price level higher. The international move to partially replace petroleum with food oils will also continue to exert upward pressure on food prices. Given an unchanged tax regime and even with government foregoing part of the tax increase implicit in the higher international fuel acquisition costs, the CPI is forecasted to rise by at least 2.5% during the year.

OPERATIONS

Foreign Exchange Operations

In 2007, the Central Bank made net purchases of $6.6mn as a result of its foreign currency trade in dollars (US and Canadian) and Pound Sterling. Purchases exceeded sales in seven out of the twelve months, with loans and grants from ROC, CDB, IADB and the government of Venezuela, accounting for most of the inflows in January, August, and December. The notable receipts included US$20.0mn from ROC in January, US$12.5mn from CDB in August, and the sums of US$15.0mn and US$10.0mn from IADB and the Venezuelan government, respectively, in the month of December. These were substantially offset by external payments, the largest of which occurred in February when payments were made to foreign bond holders who participated in the debt exchange for the government's debt restructuring bond. Trading in CARICOM currencies was mostly for settlement of official transactions and resulted in net sales of $1.6mn during the year.

External Assets Ratio

Section 25(2) of the Central Bank of Belize Act 1982 stipulates that it should maintain external assets that amount to at least 40.0% of the currency notes and coins in circulation and the Bank's domestic deposit liabilities. In 2007, the ratio dipped below the legal threshold in February, March and November largely due to the sizeable payments made to external creditors on the public sector's behalf. The ratio was at its highest in January (57.6%), the period just prior to the closing of transactions connected with the restructuring of the public sector's external commercial debt. The bulk of these payments were made in February which led to the external assets ratio dipping to 38.4%, its

Chart VII.1: Central Bank Dealings in Foreign Exchange

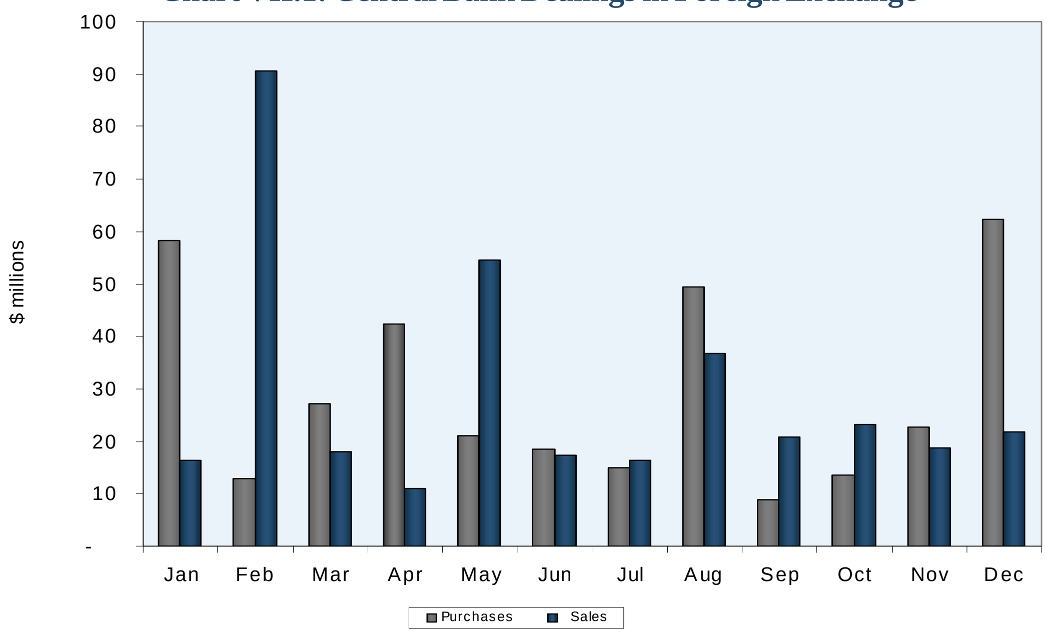
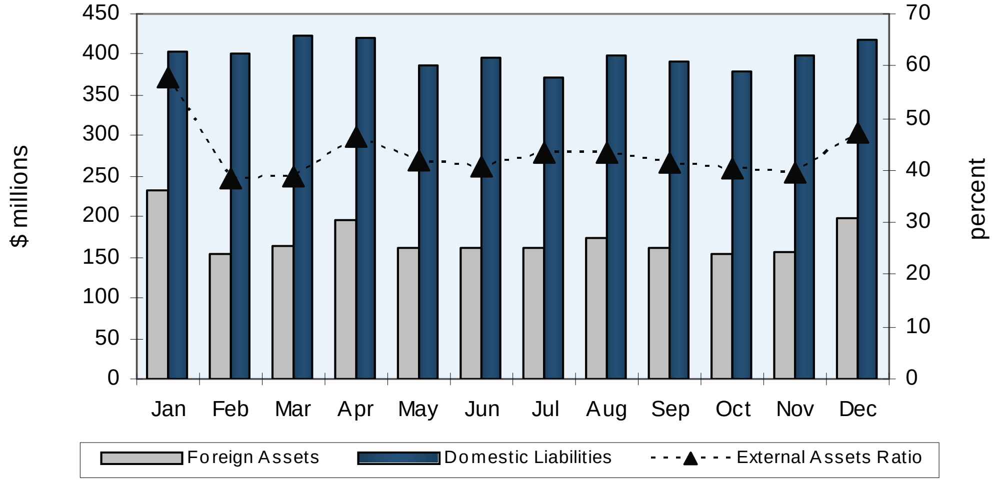


Chart VII.2: External Asset Ratio



lowest level in 2007. At the end of the year, the ratio recovered to 47.3%, the second highest level for 2007, principally due to the timely receipt of loan and grant funds. At year-end the Bank's external assets amounted to $198.2mn that was comprised of 88.8% in cash and fixed deposits, 7.8% in foreign securities and 3.4% in holdings of SDR with the International Monetary Fund.

Relations with Commercial Banks

Cash Balances

The cash reserve requirement, which had been raised from 9% to 10% in September 2006, was unchanged throughout 2007. The commercial banks maintained cash holdings, which while fluctuating, maintained an average excess of $16.2mn during the first half of the year when foreign inflows to the banking system from exports of goods and services were highest. This tapered off in the second half of the year as lending activity

Table VII.1: Commercial Bank Balances with the Central Bank

$mn

MONTH	Average Deposit Liabilites	Required Cash Reserves	Actual Cash Holdings	Excess/ (Deficit)
January	1,375.0	137.5	158.2	20.7
February	1,394.1	139.4	153.0	13.6
March	1,407.9	140.7	161.2	20.5
April	1,444.3	144.4	158.6	14.2
May	1,481.9	148.2	163.0	14.8
June	1,508.1	150.8	164.0	13.2
July	1,516.8	151.6	155.7	4.1
August	1,515.3	151.5	159.8	8.3
September	1,524.6	152.4	168.4	16.0
October	1,536.8	153.6	161.2	7.6
November	1,539.0	153.9	168.9	15.0
December	1,557.4	155.7	164.3	8.6

Table VII.2: Currency in Circulation

$mn

MONTH	Notes	Coins	Total	Commercial Bank Vault Cash	Currency with the Public
January	141.1	15.9	157.0	26.9	130.1
February	141.6	15.9	157.5	27.3	130.2
March	147.5	16.2	163.7	26.0	137.7
April	148.5	16.3	164.8	26.2	138.6
May	149.0	16.4	165.4	29.3	136.1
June	150.7	16.6	167.3	26.1	141.2
July	151.5	16.6	168.1	28.8	139.3
August	154.1	16.8	170.9	25.5	145.4
September	149.2	16.8	166.0	24.7	141.3
October	150.6	16.9	167.5	29.6	137.9
November	151.6	16.9	168.5	24.4	144.1
December	168.7	17.1	185.8	32.4	153.4

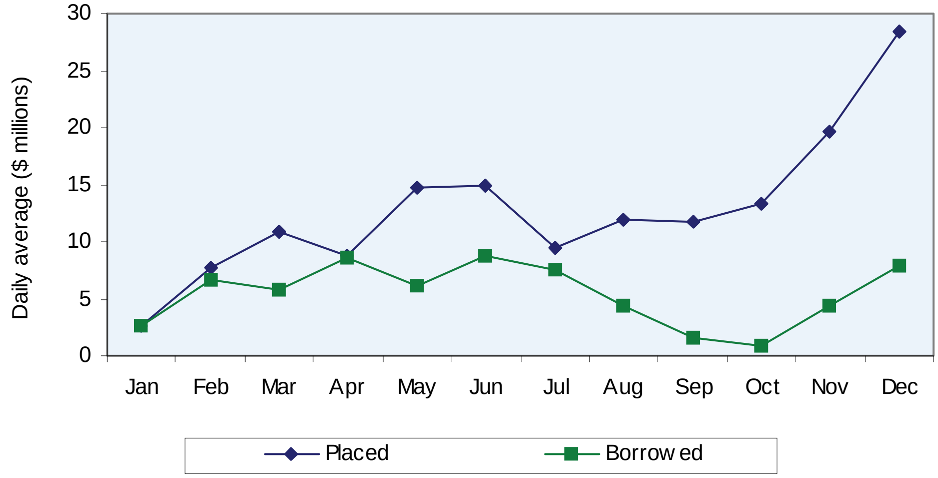
increased. The average excess in the latter period was $9.9mn with July, August, October and December being the months of in which sharp decreases were recorded. The tightening position of the banks was supported by increased activity in the inter-bank market facility, which enabled banks to avoid the sale of foreign exchange to the Central Bank to meet cash reserve requirements. Commercial banks' sales of foreign exchange to the Central Bank were consequently down by $38.8mn when compared to the previous year.

At the end of December, currency in circulation was $16.4mn (9.8%) higher than in December 2006 due to an increase in public holdings since the vault cash position of the commercial banks was essentially the same. The monthly averages of commercial bank vault cash holdings and currency held by the public were also higher than in the comparable periods of the previous year by $3.1mn (12.8%) and $14.7mn (11.8%), respectively. The ratio of notes and coins was largely constant with notes accounting for an average of 90.0% of the currency issue. The demand for currency also followed the usual seasonal trend with the months of lowest and highest circulation being January and December, respectively. Where the public was concerned, the largest increases (averaging $6.8mn) were in the months of December, November, March, August and June in descending order of magnitude, which compares with 2006 when December, April, June and January were the notable months yielding an average increase of $6.3mn.

Inter-Bank Market

Inter-bank lending activity accelerated in 2007 as commercial banks took full advantage of the inter-bank market facility to maintain their cash balances at the Central Bank within the required level. This was the most active year since the inception of the facility in 1995 as it was essentially dormant until the Central Bank effected a 6.0% decrease (from 17.0% to 11.0%) in 2006 that

Chart VII.3 : Inter-bank Market Activity



made it more attractive to borrow from the facility. Whereas placements were made in only five months in 2006 and included offers and loans that averaged some $4.1mn and $3.6mn, respectively, there were placements throughout 2007. An average of approximately five loans were made each month with activities for the year summing to 64 offers and 51 loans. While the typical offer was for approximately $3.6mn, actual loans worked out to an average of $3.3mn extended over an average period of eleven days.

Transactions with Central Government

By law the Central Bank is authorized to extend cash advances to the Government of up to a maximum of 20.0% of current revenue collected during the preceding fiscal year or a sum of $50.0mn, whichever is greater. At $117.3mn, the legal ceiling for

Chart VII.4: Central Bank Holdings of Government Securities

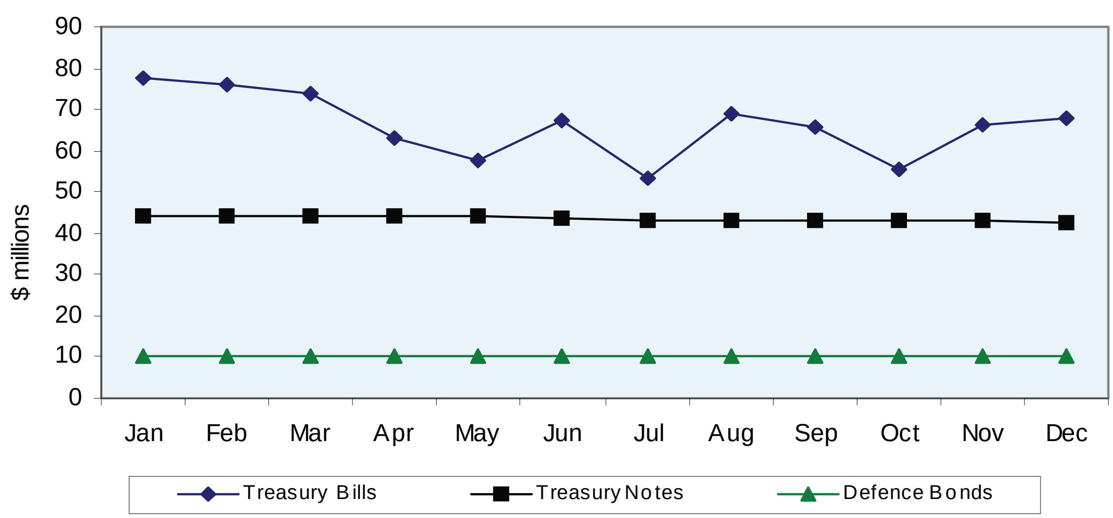
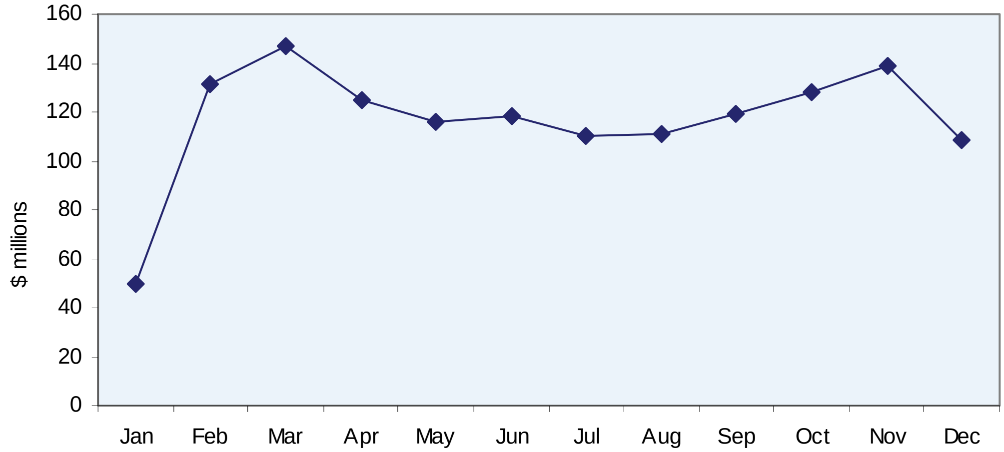


Chart VII.5: Central Bank Overdraft Financing to Central Government



2007 was $11.3mn higher than that of the previous year. Notwithstanding this, Central Government experienced significant difficulty in confining its demand for cash advances during the year due to the magnitude of its external commitments. In seven out of the twelve months, its Central Bank overdraft limit was exceeded with advances peaking at $146.7mn in the month of March when a substantial lump sum payment connected with the restructuring of the public sector's external commercial debt was made. The overdraft balance fell to $108.8mn at year-end, a decline that was facilitated by loan and grant receipts from the Inter-American Development Bank and Venezuela.

Treasury Bills

The value of Treasury bills available for trade in the secondary market stood at $100.0mn, the level to which it had been raised in 2006. The yield also remained at 3.25% with no change occurring since the decision to fix the interest rate was taken in November 2002. Given the sharp disparity between the yield and lending rates, commercial bank demand was largely a residual of their lending activity, which resulted in the Central Bank playing its usual dominant role in the domestic Treasury bill market. The latter's monthly holdings averaged $66.1mn as compared to a monthly average of $66.3mn in 2006. After peaking at $77.8mn in January, the Bank's Treasury bill portfolio declined to its lowest point of $53.3mn in the month of July before rising again to reach $68.1mn at year-end. The commercial banks, which are the next largest players in the system, recorded a monthly average of some $32.3mn in Treasury bill holdings with the balance being held by several small institutions and other investors.

Treasury Notes

At the end of 2007, the Treasury notes issue stood at $56.8mn with this being comprised of some $25.0mn in one-year notes and $31.8mn in five-year notes. Except for the small amount of $0.3mn that carried a 1.0%

nominal rate, all Treasury notes had been offered at the rate of 9.0%. Central Bank efforts to spur activity in the secondary market by increasing the amount sold to the private sector had borne little fruit in 2006 and the secondary market was essentially dormant in 2007 with minimal changes being recorded in the structure of holdings over the year. During the entire year the commercial banks held some $10.0mn worth in their portfolio and the Central Bank recorded average holdings of $43.5mn. At the end of the year, holdings of the latter fell slightly to $42.6mn while those being held by other entities amounted to $4.2mn.

Supervision of Banks and Financial Institutions

Efforts aimed at ensuring that the legislative framework for the regulation and supervision of Belize's financial sector is in line with international standards and best practices continued in 2007. Particular attention was paid to the Banks and Financial Institutions Act (BFIA), the International Banking Act (IBA) and the Credit Unions Act (CUA), each of which was subject to review. However, while the amendment to the Credit Unions Act was expedited, with approval from the House of Representatives being received in November, the process of re-drafting the BFIA and IBA was more protracted. After a series of discussions with the various stakeholders, final draft documents were prepared but these were not immediately tabled in the House of Representatives. Current expectations are that the legislative process will be satisfactorily finalized in 2008.

Supervision of the financial sector continued to be significantly facilitated by a technical assistance grant from the IADB during the year. The IADB technical assistance project, which had the general objective of improving the overall safety and soundness of Belize's financial system, culminated in December 2007 after providing three years of timely funding and support. The chief emphasis was on institutional capacity strengthening that included the upgrading of prudential norms and supervision tools as well as staff development for domestic and international banks and to a lesser extent, credit unions and other non-banking

Table VII.3: List of Banks and 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.	Belize Bank International Ltd.	
Belize Bank Ltd.	Caye International Bank Ltd.	
First Caribbean Int'l Bank Ltd.	Choice Bank Ltd.	
Scotiabank (Belize) Ltd.	Handels Bank & Trust Company Ltd.	
	Investment and Commerce Bank Ltd.	
	Market Street Bank Ltd.	
	Oxxy Bank Ltd.	
	Provident Bank & Trust of Belize Ltd.	

Table VII.4: List of Credit Unions

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

institutions. The Central Bank's Financial Sector Supervision Department (FSSD) capitalized on the resource allocation to further develop its human resources and to carry out its work in upgrading the legal framework.

In addition to its vital role in screening entities that seek to provide banking and similar services to the public, the FSSD maintained its primary focus on ensuring that the institutions under its regulatory purview manage their operations in a prudent manner and in accordance with the existing laws. As well as periodic on-site examinations, the FSSD maintained a continuous off-site surveillance of these institutions with the latter being facilitated by an increase in the number of prudential returns that were submitted electronically during the year. Using an updated risk-focused approach to its monitoring of the financial sector, the FSSD conducted three comprehensive on-site examinations in addition to three follow-up visits, two specialized examinations and two examinations to check for compliance with Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) operational standards.

The work of supervision was carried out against the backdrop of robust bank activity during the year with the total assets of domestic commercial banks rising by 10.5% (from $1.9bn in 2006 to $2.1bn) and deposit liabilities expanding by 14.3%. Ten requests to extend credit facilities that were in excess of 25% of the paid-up and unimpaired capital and reserves of the domestic and international banks were received and processed during the year for a total of BZ$55.5mn. In other developments, four applications were received from groups interested in opening 'Class A' international banks and there was also one application for a 'Class B' financial institution. After completing its due diligence investigations, the Central Bank issued one license for a 'Class A' international bank, bringing the number of licensed international banks to nine, while the work of vetting the other applications continued. No other licenses were issued leaving the number of domestic commercial banks at a total of five.

In its outlook for 2008, the Central Bank expects to continue working closely with regional counterparts and local institutional stakeholders. Focus will be placed on mechanisms to allow for the implementation of Basle II and the execution of decisions taken as a result of deliberations of working groups including those on consolidated supervision and standardized financial institutions legislation throughout the Caribbean.

Information Systems

The Central Bank upgraded the Information Systems Unit to the status of a full fledged department known as the Information Technology Department (ITD) in 2007, a decision that was motivated by recommendations made in the Bank's recently completed organizational review.

Among the major projects spearheaded by the ITD during the year were the Phase 2 Migration of SWIFT, the completion of the parallel phase of the implementation of the CS-DRMS version 1.2, the completion of the Exchange 2003 upgrade, and the upgrade of the Bank's network infrastructure. Systems Development Analysts were sent for training in the Microsoft .NET systems development framework to pave the way for the Bank's web-based development initiatives in 2008.

The ITD project to upgrade the Bank's network infrastructure involved an increase in the speed of the network backbone from 100 megabit per second to 1 gigabit per second. Help-desk software was also introduced to improve the support given to end users and work was done to replace the Linux email gateway with Fedora (version 7) on an enhanced server to resolve space and processing limitations.

With the assistance of IADB project financing, steps were taken toward achieving remote connectivity between the Bank's staff and its headquarters during the year. In addition to assisting with the acquisition of a CISCO VPN ASA appliance, RSA token id hardware and software, portable computers and application servers, funds were also provided for the requisite staff training during the year. It is expected that staff/ Central Bank remote connectivity will be fully deployed in 2008.

With a view to increasing the capacity and flexibility of the Bank's data management systems, action was taken to replace the existing hardware and software being used for data backup. As part of this process, the SQL server databases were migrated to a new server with greater processing and storage capacity. By the end of 2007, the Bank had upgraded and expanded its hardware inventory by deploying four servers, forty-two workstations and eight portable computers.

Work on the upgrading of application software proceeded apace with the SWIFTNET Migration to Phase 2, being completed on the live system by June 2007. The associated backup and disaster/recovery servers were also upgraded to version 6.0 and migrated to Phase 2. Further Swift related work to complete the mandatory migration is planned for early 2008. In other developments, the ITD completed the in-house development of a new system designed to facilitate the Finance Department's management of the abandoned property reported by the commercial banks. The ITD also oversaw the implementation of the RDS cheque imaging system obtained from Bank of America (BOA) which will allow for cheque images to be transmitted to BOA via the Internet and eliminate the need to send paper checks by courier. The ITD was also instrumental in implementing an electronic inventory system to be used by the Building Services Unit (BSU) and the Finance Department in order to improve efficiency in accounting and inventory management of supplies held by the BSU.

The Board of Directors

The Board of Directors held 11 meetings in 2007 and considered 76 submissions.

Meetings & Conferences

In their capacity as executive officers to the Bank and as advisors to Government, the Governor and Deputy Governor attended a variety of meetings, some of which are listed in Box 7.

Financial Performance

The Central Bank's financial statements for the year ended December 31, 2007, with comparative figures for the previous year, are annexed to this report.

During the year, the Central Bank's assets increased by 2.5% to $467.8mn. The latter included increases of 3.9% (to $198.1mn) in external assets and 1.6% (to $269.7mn) in domestic assets. A net operating surplus of $9.6mn was recorded that was 25.6% lower than in 2006. Gross earnings totaled $28.3mn including interest income of $26.8mn and $1.5mn in commissions and other income. Some 73.1% of the Bank's earnings came from its domestic operations, particularly through its lending to Central Government. Current expenditure totaled $18.7mn with staff costs, interest payments and other operating cost accounting for 37.2 %, 29.5%, and 33.3%, respectively.

As provided for under Section 9(1) of the Central Bank Act, $1.0mn (10.0% of the net operating surplus) will be paid into the Central Bank's General Reserve Fund. The balance of $8.6mn will be transferred to the Accountant General for the GOB's Consolidated Revenue Fund.

Box 7: Meetings Attended by the Governor and Deputy Governor

Name of Meeting/Conference	Month	Place
CEMLA Audit and Alternate Committee Meetings	February	Belize City
Conference on "Effective anti-money laundering and counter-terrorism financing controls in the Banking Sector	April	Bogota, Colombia
Plenary Meeting of the CARTAC Steering Committee and the Committee of Central Bank Governor's Meeting	May	Trinidad and Tobago
Meeting of CARICOM Central Bank Governors	May	Kingston, Jamaica
XLIV Meeting of Governors of Central Banks of the American Continent	May	Montevideo, Uruguay
LXXXIII Meeting of Governors of Central Banks of Latin America and Spain, and Joint Bank for International Settlements/Federal Reserve Bank of Atlanta Meeting	May	Mexico City, Mexico
Meeting of CARICOM Central Bank Governors	November	Jamaica

Internal Audit

In accordance with guidelines set by the Institute of Internal Auditors, the Central Bank's Internal Audit undertook the first quality assessment of its activities in the month of April with the assistance of a qualified independent reviewer from the Deutsche Bundesbank. The performance review revealed that Internal Audit was generally compliant with professional standards for internal auditing.

A substantial amount of time was devoted to raising awareness of how the Enterprise Risk Management (ERM) approach could be used in the Central Bank. The broad range of efforts included the coordination of in-house workshops on the ERM framework and methods of assessing risks. As part of the process leading up to the Bank's formal adoption of a Fraud Policy, Internal Audit submitted its first report on Central Bank compliance with the newly proposed guidelines to the Audit Committee (a sub-committee of the Central Bank's Board of Directors). Internal Audit also prepared a special report on the fire alarm system and emergency evacuation procedures in addition to conducting audits and reviews of the following activities:

- End of year reconciliation of transactions - in order to assess procedural timeliness and ensure that the appropriate adjustments were made.

- Foreign Reserve Cash Management - to ensure that funds are appropriately managed with a view to providing adequate levels of foreign working capital while maximizing returns within the framework of existing laws and regulations.

- Pension Scheme operations - in order to confirm the accuracy of all calculations and record keeping as well as the adequacy of controls with respect to the processing and payment of contributions and refunds.

- Security X-ray and Walk-through Detection Units - to document the functionality of the systems and to confirm that the operations of the systems are consistent with the established goals and objectives of improving staff security at the workplace.

- WASP inventory software - to assess its functionality and effectiveness in building services supplies inventory management.

Other routine monitoring was conducted for stocktaking exercises, counting and destruction of currency notes, information systems back-up processes and the vacation leave policy. As in previous years, Internal Audit provided support to the Audit Committee, which reviewed the financial statements and management letter for the 2006 financial year that was prepared by the Central Bank's external auditors. The necessary technical support was also provided to assist the Committee's decision making process in the selection of the Bank's external auditor for the 2007-2009 period.

Human Resources

Human resource issues such as the Central Bank's promotions policy, performance management system and compensation system were among the principal areas of focus in an organizational review that began in 2005 and was completed early in 2007. The review process was partially guided by a Change Management Committee that had been tasked not only with assisting in the development of the Bank's strategic plans but also with the subsequent promotion of the enterprise risk management approach in the Central Bank. The organizational review yielded several recommendations that were aimed at contributing to long term improvements in the Bank's efficiency and effectiveness. These were officially approved for implementation by the Bank's Board of Directors.

At the Annual Employee Recognition Ceremony that was held in February under the theme "*Commit to live our vision each day; corporate excellence will follow*", the Bank honoured employees with 10, 15, 20, and 25 years of service. The coveted "Governor's Choice" award of a full scholarship to a local university was presented to Mr. Luis Teck, a Senior Clerical Officer in the Research Department who had been working at the Bank for nineteen years.

Negotiations with the Christian Workers Union were successfully concluded on 17 December 2007 with the execution of a collective agreement that was made retroactive to 1 January 2007. As part of the agreement, the Bank's Board of Directors approved a salary increase for staff in the bargaining unit as well as increases in benefits. Negotiations with the Public Service Union that represents the Bank's Security staff also commenced in 2007 and are expected to be finalized in early 2008.

Staffing

The Bank noted a decline in its rate of staff turnover from 4.8% in 2006 to 4.0% in 2007 with 17 persons being hired while 5 staff members left its employ for other pursuits. At the end of the year, the number of employees had increased by 5.5% to 153 persons comprised of 13 contract officers, 135 permanent staff members and 5 temporary employees.

Staff Development & Training

With a view to maximizing benefits from the changes implemented as a result of the organizational review, the Bank's management adopted a two-year training program aimed at providing staff with a new and improved skill set. As a result, staff members attended customized training workshops delivered by facilitators from University of the West Indies' (UWI) School of Continuing Studies (Belize) in *Organizational Development & Transformation, Developing People Skills, the New Supervisor, Strategies of Critical Thinking & Analysis, and Interpersonal Skills*. The staff's technical skills were also strengthened through other local and overseas training courses. Locally, the UB facilitated Advanced Microsoft Excel, Access, and PowerPoint courses while in-house training was conducted in Advanced Microsoft Outlook and Crystal Report Writer. The Employee Self-Serve Module of HRPlus human resource information system was also launched and made available to all staff members. Twelve members of staff at the managerial and professional level participated in overseas training seminars, and workshops that included *SWIFT Customer Credit Transfer & Cash Management, CISCO Networking Technologies, Monetary & Financial Statistics, Trust Examination, Anti-Money Laundering Terrorist Financing, Securities Market Development, and Operational Auditing.*

In June 2007, the Caribbean Regional Technical Assistance Centre (CARTAC) held its formal two-week Financial Programming and Policies (FPP) seminar at the Central Bank. In addition to a series of lectures, the course included workshops to facilitate the preparation of an internally consistent set of macroeconomic policies for the selected Caribbean country used in the case study. Two consultants from the International Monetary Fund were engaged to conduct the training, which was expected to complement and reinforce CARTAC's on-going work with staff from the Central Bank of Belize, the Ministry of Finance, the Ministry of National Development, and SIB.

XXXIX Annual Monetary Studies Conference

With the joint collaboration of the Caribbean Centre for Monetary Studies (CCMS), the Central Bank of Belize hosted the thirty-ninth annual Monetary Studies Conference at the Belize Biltmore Plaza Hotel in November. The conference provided an opportunity for regional central banks, universities and other organizations to present papers for discussion on specific topics of interest under the conference theme *"Economic and Social Development Trends and Prospects in the Caribbean"*. Among the presentations was a paper entitled *"Assessing the Direct Economic Impact of Cruise Tourism on the Belizean Economy"* that was authored by Central Bank economists Azucena Quan-Novelo, Jair Santoya and Rasiel Vellos.

Community Service

In support of the UB's Internship Programme, one student was accepted to meet the core requirements for graduation. Eight senior secondary school students participated in work-study programmes with the Bank over periods averaging two weeks in length and eight tertiary level students were also given the opportunity to develop their practical skills under the Bank's Summer Employment Programme.

To mark World Diabetes Day, a staff member voluntarily facilitated an awareness programme in which blood sugar screening tests were conducted for the 44 staff members who participated. The Central Bank and its staff also continued to support other social projects including the Salvation Army's Annual Christmas Appeal and the Belize Cancer Society's Annual Walk.

A. Monetary Policy Developments

1998 - **(1st 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 - **(3rd 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 - **(2nd January)** Amendments to the Exchange Control Regulations that allowed the licensing and operations of Casas de Cambios became effective.
(1st 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".
(28th 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.
(1st November) The cash reserve requirements on demand, savings and time deposit liabilities were harmonized at 6.0%.

2004 - **(29th 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.
(1st 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%.
(1st 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.
(1st December) Commercial banks' cash and liquid asset ratios were increased from 6% to 7% and from 19% to 20%, respectively.

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

2006 - **(1st January)** Commercial banks' cash and liquid asset ratios were raised from 8% to 9% and from 21% to 22% respectively.

(1st January) The Central Bank disallowed the process of co-mingling domestic and offshore deposits and required the commercial banks to transfer all foreign currency deposits belonging to non-residents to their offshore branches as stipulated under the International Banking Act.

(**1st September)** Commercial banks' cash and liquid asset ratios were raised from 9% to 10% and from 22% to 23% respectively.

B. Statistical Appendix

Table 1: GDP by Activity at Current and Constant 2000 Prices

$mn

	2003	2004	2005	2006	2007
GDP at current market prices	**1,975.2**	**2,110.4**	**2,229.6**	**2,427.3**	**2,534.0**
GDP at constant 2000 market prices	**2,006.9**	**2,100.0**	**2,163.3**	**2,279.0**	**2,314.8**
Primary Industries	**339.2**	**371.4**	**382.4**	**361.0**	**301.4**
Agriculture, hunting & forestry	212.4	237.6	235.5	237.8	219.4
Fishing	126.8	133.8	146.9	123.2	81.9
Secondary Industries	304.5	326.6	315.9	398.9	431.8
Manufacturing (incl. mining and quarrying)	**167.8**	**187.5**	**179.9**	**243.4**	**276.3**
Electricity & Water	65.3	64.3	64.0	88.3	87.8
Construction	71.5	74.7	72.0	67.3	67.7
Tertiary Industries	1,078.2	1,113.0	1,172.7	1,197.5	1,247.5
Wholesale & retail trade	**306.3**	**306.1**	**322.6**	**329.0**	**345.7**
Hotels & restaurants	77.9	84.4	88.1	87.5	89.9
Transport & Communications	191.5	201.1	218.8	231.9	244.5
Other Private Services excl. FISIM	309.7	326.2	345.1	360.1	376.1
Producers of Government Services	**192.7**	**195.3**	**198.0**	**189.0**	**191.2**
All Industries at basic prices	1,721.9	1,811.0	1,879.7	1,966.2	1,980.6
Taxes less subsidies on products	285.0	289.0	283.6	312.7	334.2

Source: SIB

Table 2: Annual Percentage Change in GDP by Activity at Current and Constant 2000 Prices

Percent

	2003	2004	2005	2006	2007
GDP at current market prices	**5.9%**	**6.8%**	**5.6%**	**8.9%**	**4.4%**
GDP at constant 2000 market prices	**9.3%**	**4.6%**	**3.0%**	**5.3%**	**1.6%**
Primary Industries	**38.9%**	**9.5%**	**3.0%**	**-5.6%**	**-16.5%**
Agriculture, hunting & forestry	15.5%	11.9%	-0.9%	0.9%	-7.7%
Fishing	110.3%	5.5%	9.8%	-16.1%	-33.5%
Secondary Industries	**-3.6%**	**7.2%**	**-3.3%**	**26.3%**	**8.2%**
Manufacturing (incl. mining and quarrying)	-0.5%	11.8%	-4.1%	35.3%	13.5%
Electricity & Water	8.4%	-1.5%	-0.5%	38.0%	-0.5%
Construction	-17.9%	4.6%	-3.6%	-6.6%	0.6%
Tertiary Industries	**6.4%**	**3.2%**	**5.4%**	**2.1%**	**4.2%**
Wholesale & retail trade	1.4%	-0.1%	5.4%	2.0%	5.1%
Hotels & restaurants	14.5%	8.3%	4.5%	-0.8%	2.8%
Transport & Communications	8.6%	5.0%	8.8%	6.0%	5.4%
Other Private Services excl. FISIM	8.4%	5.3%	5.8%	4.3%	4.4%
Producers of Government Services	6.3%	1.3%	1.4%	-4.6%	1.2%
All Industries at basic prices	**9.4%**	**5.2%**	**3.8%**	**4.6%**	**0.7%**
Taxes less subsidies on products	8.6%	1.4%	-1.9%	10.3%	6.9%

Source: SIB

Table 3: Bona fide Tourist Arrivals & Expenditure

	2005	2006	2007
Stayover Arrivals			
Air	175,965	179,892	184,332
Land	43,815	49,398	47,253
Sea	7,256	8,550	9,990
Total stayovers	**227,036**	**237,839**	**241,575**
Cruise Ship Arrivals	**720,298**	**590,338**	**560,478**
Tourist Expenditure ($mn)	*329.1*	*531.2*	*571.2*

Sources: Immigration Department, BTB, CBB

Table 4: Quarterly Percentage Change in CPI Components by Major Commodity Group

Major Commodity	Weights	Feb-07	May-07	Aug-07	Nov-07	Inflation Rate
Food, Beverage and Tobacco	346.6	6.3	5.9	3.1	5.8	5.3
Clothing and Footwear	92.0	2.0	1.0	-0.1	0.3	0.8
Rent, Water, Fuel and Power	167.0	-0.8	0.6	-0.2	5.9	1.4
Household goods & Maintenance	85.3	3.1	3.6	0.8	1.7	2.3
Medical Care	20.1	2.8	2.7	0.0	1.0	1.6
Transport and Communication	170.1	-0.3	-1.5	-3.9	3.4	-0.6
Recreation , Education, Culture	80.4	1.6	1.8	0.1	0.3	0.9
Personal Care	37.9	3.4	3.8	0.6	0.8	2.2
All items	**1000.0**	**2.6**	**2.4**	**0.3**	**4.1**	**2.3**

Source: SIB

Table 5: Balance of Payments - MerchandiseTrade

$mn

	2005	2006	2007	Change
Goods Exports, f.o.b.	**650.5**	**854.3**	**857.0**	**0.3%**
of which: Domestic Exports	397.8	543.4	502.4	-7.6%
CFZ sales	227.4	277.0	310.5	12.1%
Other Re-exports	25.2	33.9	44.0	29.9%
Goods Imports, f.o.b.	**1,112.4**	**1,223.9**	**1,284.0**	**4.9%**
of which: Free Circulation Area	938.9	1021.3	1,044.5	2.3%
CFZ(1)	173.6	202.6	239.6	18.3%
Merchandise Trade Balance	**-462.0**	**-369.6**	**-427.1**	**15.6%**

(1) This CFZ item excludes fuel and goods obtained from the free circulation area.

Table 6: Domestic Exports

$mn

	2005	2006	2007
Traditional Exports	**362.3**	**436.2**	**348.9**
Sugar	69.9	100.1	88.1
Citrus Juices [1]	77.4	120.1	106.1
Citrus Concentrate	*76.5*	*120.1*	*106.1*
Not-from-Concentrate	*0.9*	*0.0*	*0.0*
Molasses [1]	5.5	6.3	5.8
Bananas	49.9	50.6	39.8
Marine [1]	98.1	91.6	64.2
Garments	34.5	36.6	18.8
Papayas	26.9	31.0	26.1
Petroleum [2]	**0.0**	**77.0**	**127.9**
Non-traditional Exports	**35.5**	**30.3**	**25.6**
Total Exports	**397.8**	**543.4**	**502.4**

Sources: SIB, BSI, CPBL, CBB

(1) Reflect actuals sales and not export shipments as reported by SIB

(2) Estimated F.O.B value of petroleum shipment.

Table 7: Exports of Sugar and Molasses

	2005		2006		2007	
	Volume *(long tons)*	Value *($'000)*	Volume *(long tons)*	Value *($'000)*	Volume *(long tons)*	Value *($'000)*
Sugar [1]	**88,131**	**69,899**	**96,309**	**100,065**	**83,132**	**88,142**
E.U.	39,928	42,392	55,567	65,330	67,187	75,105
USA	11,015	8,441	18,794	17,505	13,143	10,302
CARICOM	35,319	17,720	19,660	15,044	2,215	2,160
Other	1,869	1,346	2,288	2,186	587	575
Molasses [2]	**33,336**	**5,519**	**35,100**	**6,264**	**41,097**	**5,805**

Sources: Belize Sugar Industries, SIB

(1) Reflects value of export shipments.

(2) Reflect actual sales as reported by the processor.

Table 8: Exports of Bananas

	2005	2006	2007 [1]
Volume (metric tons)	**76,164**	**70,971**	**59,018**
Value ($mn)	**49.9**	**50.3**	**39.8**

Source: SIB

(1) Adjusted for the US $0.24 per 40 pound box to cover out of quota tariff costs for the 2006 shipments.

Table 9: Export Sales of Citrus Juices and Pulp[1]

	2005	2006	2007
Concentrate ('000 ps)	**35,520**	**42,793**	**32,399**
Orange	29,222	36,156	28,819
Grapefruit	6,298	6,637	3,580
Concentrate value ($mn)	**76.6**	**120.1**	**106.1**
Orange	54.5	94.9	94.3
Grapefruit	22.1	25.2	11.9
Not-from-concentrate Exports ('000 ps)	**227**	**0.8**	**0.0**
Orange	189	0.8	0.0
Grapefruit	38	0.0	0.0
Not-from-concentrate Value ($mn)	**0.9**	**0.0**	**0.0**
Orange	0.7	0.0	0.0
Grapefruit	0.2	0.0	0.0
Pulp Export ('000 pounds)	**2,548**	**2,002**	**2,287**
Pulp Value ($mn)	**1.6**	**1.1**	**1.5**

Source: Citrus Products of Belize Ltd

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

Table 10: Exports of Marine Products

	2005		2006		2007	
	Volume ('000 lbs)	Value ($'000)	Volume ('000 lbs)	Value ($'000)	Volume ('000 lbs)	Value ($'000)
Lobster Tail	502	14,703	392	13,884	443	15,997
Lobster Head	20	126	6	43	15	99
Shrimp	19,024	74,530	17,662	68,082	11,885	41,741
Conch	547	7,501	707	8,109	526	5,389
Whole/Fillet Fish	307	1,206	540	1,210	363	928
Other	4	55	25	250	3	20
Total	**20,404**	**98,121**	**19,333**	**91,578**	**13,235**	**64,174**

Source: SIB

Table 11: Other Major Exports

	2005	2006	2007
Garments			
Volume (mn lbs)	3.5	3.6	1.7
Value ($mn)	34.5	36.6	18.8
Papayas			
Volume ('000 lbs)	63,129	76,004	72,943
Value ($mn)	26.9	31.0	26.1
Petroleum [1]			
Volume (barrels)	0	713,411	956,476
Value ($mn)	0	77.0	127.9

Source: SIB

(1) Quality differentials and international transportation cost were taken out of the C.I.F. value as reported by the SIB to derive a F.O.B.value.

Table 12: Gross Imports (CIF) by SITC Categories

$mn

SITC Category	2003	2004	2005	2006	2007
0 Food and Live Animals	118.7	109.2	120.7	118.2	135.6
1 Beverages and Tobacco	8.9	9.8	10.5	11.2	12.2
2 Crude Materials	6.7	7.3	9.1	10.9	12.9
3 Fuels and Lubricants	161.2	184.3	236.0	246.5	266.0
Of which electricity	*28.4*	*29.7*	*40.3*	*33.2*	*46.4*
4 Animal and Vegetable Oils	3.3	3.2	3.2	3.9	4.0
5 Chemicals	82.7	76.3	88.7	93.6	102.0
6 Manufactured Goods	128.7	136.8	138.9	164.2	164.2
7 Machinery and Transport Equipment	203.7	175.9	199.8	219.1	251.2
8 Miscellaneous Manufactured Goods	103.2	81.8	101.1	102.4	101.8
9 Commodities - not classified elsewhere	0.9	0.0	0.0	0.0	0.0
Export Processing Zones	130.7	113.8	124.7	157.9	98.5
Personal Goods	3.4	2.6	2.7	3.4	3.3
Total	**952.1**	**901.1**	**1,035.4**	**1,131.4**	**1,151.8**
CFZ Direct Imports	180.5	156.6	190.7	222.6	263.3
Grand Total	**1,132.6**	**1,057.7**	**1,226.1**	**1,354.0**	**1,415.1**

Sources: SIB; CBB

Table 13: Balance of Payments - Service, Income and Current Transfers

$mn

	2005			2006			2007		
	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net
Services	**603.5**	**317.6**	**286.0**	**747.6**	**300.3**	**447.3**	**796.3**	**333.0**	**463.3**
Transportation	59.4	100.2	-40.8	57.1	109.1	-52.0	59.8	113.8	-54.0
Travel(1)	427.2	83.3	343.9	542.0	82.1	459.9	581.2	85.5	495.7
Other Goods and Services	81.3	110.9	-29.5	100.9	91.4	9.5	100.7	115.4	-14.7
Govt. Goods and Services, N.I.E	35.6	23.2	12.4	47.6	17.7	29.9	54.5	18.3	36.2
Income	**13.6**	**242.4**	**-228.9**	**20.0**	**278.1**	**-258.1**	**14.0**	**322.3**	**-308.2**
Labour Income	7.5	11.7	-4.2	11.9	11.4	0.5	4.7	10.4	-5.7
Investment Income(2)	6.0	230.7	-224.7	8.1	266.7	-258.6	9.3	311.8	-302.5
Current Transfers	**136.7**	**34.3**	**102.4**	**184.3**	**36.4**	**147.9**	**273.1**	**86.3**	**186.8**
Government	11.0	4.8	6.3	21.8	4.9	17.0	81.9	50.3	31.6
Private	125.7	29.5	96.2	162.5	31.5	131.0	191.2	36.0	155.2

(1) Tourism earnings for 2005 were based on actual inflows into the banking system, while estimates for 2006 & 2007 were based on Visitor Expenditure Surveys.
(2) 2006 and 2007 data include an estimate for profit remittances from the tourism industry.

Table 14: Balance of Payments - Capital and Financial Accounts

$mn

	2005 Net	2006 Net	2007 Net
CAPITAL ACCOUNT	**5.9**	**18.3**	**8.2**
General Government	5.2	16.1	6.6
Other Sectors	0.8	2.2	1.6
FINANCIAL ACCOUNT	**288.7**	**138.2**	**141.0**
Direct Investment Abroad	-2.0	-1.1	-2.0
Direct Investment in Belize	253.8	207.7	224.7
Portfolio Investment Assets	-0.4	-0.5	-0.8
Portfolio Investment Liabilities	36.1	-42.7	158.3
Financial Derivatives Assets	0.5	0.0	0.0
Financial Derivatives Liabilities	-11.1	0.0	0.0
Other Investment Assets	-78.3	-27.2	9.4
Monetary Authorities	-61.3	24.3	37.1
General Government	0.2	6.9	-3.8
Banks	-18.3	-32.8	-22.9
Other Sectors	1.1	-25.6	-0.9
Other Investment Liabilities	90.0	2.1	-248.6
Monetary Authorities	-2.6	-0.4	0.0
General Government	90.2	64.0	-175.8
Banks	6.5	-64.5	-58.5
Other Sectors	-4.1	3.0	-14.3
CHANGES IN RESERVES (Minus = Increase)	**24.4**	**-99.6**	**-45.8**

Table 15: Official International Reserves

$mn

	Position as at			Changes during 2007
	Dec-05	Dec-06	Dec-07	
Gross Official International Reserves[(1)]	**71.6**	**171.3**	**217.0**	**45.8**
Central Bank of Belize				
Holdings of SDRs	5.032	5.8	6.8	1.0
IMF Reserve Tranche	12.125	12.8	13.4	0.6
Other	36.8	134.5	177.4	42.9
Central Government	**17.7**	**18.2**	**19.4**	**1.2**
Foreign Liabilities	**2.7**	**2.4**	**2.4**	**0.0**
CARICOM	0.3	0.2	0.0	-0.2
Other	2.4	2.2	2.4	0.2
Net Official International Reserves	**68.9**	**168.9**	**214.6**	**45.8**

(1) These numbers have been revised to reflect only usable reserves as defined by BPM5.

Table 16: Balance of Payments Summary

$mn

	2005	2006	2007
CURRENT ACCOUNT	**-302.4**	**-32.4**	**-85.2**
Goods: Exports f.o.b.	650.5	854.3	857.0
Goods: Imports f.o.b.	-1112.4	-1,223.9	-1,284.0
Trade Balance	-462.0	-369.6	-427.1
Services: Credit	603.5	747.6	796.3
Transportation	59.4	57.1	59.8
Travel(1)	427.2	542.0	581.2
Other Goods & Services	81.3	100.9	100.7
Gov't Goods & Services	35.6	47.6	54.5
Services: Debit	-317.6	-300.3	-333.0
Transportation	-100.2	-109.1	-113.8
Travel	-83.3	-82.1	-85.5
Other Goods & Services	-110.9	-91.4	-115.4
Gov't Goods & Services	-23.2	-17.7	-18.3
Balance on Goods & Services	-176.0	77.7	36.2
Income: Credit	13.6	20.0	14.0
Compensation of Employees	7.5	11.9	4.7
Investment Income	6.0	8.1	9.3
Income: Debit	-242.4	-278.1	-322.3
Compensation of Employees	-11.7	-11.4	-10.4
Investment Income(2)	-230.7	-266.7	-311.8
Balances on Goods, Services & Income	-404.9	-180.3	-272.0
Current Transfers: Credit	136.7	184.3	273.1
Government	11.0	21.8	81.9
Private	125.7	162.5	191.2
Current Transfers: Debit	-34.3	-36.4	-86.3
Government	-4.8	-4.9	-50.3
Private	-29.5	-31.5	-36.0
CAPITAL ACCOUNT, n.i.e.	**5.9**	**18.3**	**8.2**
Capital Account: Credit	7.9	20.5	10.2
Capital Account: Debit	-2.0	-2.2	-2.0
FINANCIAL ACCOUNT, n.i.e.	**288.7**	**138.2**	**141.0**
Direct Investment Abroad	-2.0	-1.1	-2.0
Direct Investment in Belize, n.i.e.	253.8	207.7	224.7
Portfolio Investment Assets	-0.4	-0.5	-0.8
Portfolio Investment Liabilities, n.i.e.	36.1	-42.7	158.3
Financial Derivatives Assets	0.5	0.0	0.0
Financial Derivatives Liabilities	-11.1	0.0	0.0
Other Investment Assets	-78.3	-27.2	9.4
Other Investment Liabilities	90.0	2.1	-248.6
NET ERRORS & OMISSIONS	**-16.6**	**-24.5**	**-18.1**
OVERALL BALANCE	**-24.4**	**99.6**	**45.8**
RESERVE ASSETS (Minus = increase)	**24.4**	**-99.6**	**-45.8**

(1) Tourism earnings for 2005 were based on actual inflows into the banking system, while estimates for 2006 & 2007 were based on Visitor Expenditure Surveys.

(2) 2006 and 2007 data include an estimate for profit remittances from the tourism industry.

Table 17: Government of Belize - Revenue and Expenditure

$'000

	Fiscal Year 2006/2007	Estimated Budget 2007/2008	Jan-Dec 2005	Jan-Dec 2006	Jan-Dec 2007
TOTAL REVENUE & GRANTS (1+2+3)	634,648	678,523	531,930	601,276	765,477
1).Current revenue	586,505	650,921	511,461	566,008	649,915
Tax revenue	530,428	593,923	457,833	514,495	575,321
Income and profits	138,203	170,256	120,291	136,659	163,122
Taxes on property	4,297	5,618	5,979	4,393	5,960
Taxes on goods and services	217,027	237,910	175,155	207,896	231,754
Int'l trade and transactions	170,902	180,139	156,408	165,548	174,485
Non-Tax Revenue	56,077	56,998	53,628	51,513	74,594
Property income	1,465	7,700	8,338	1,356	12,643
Licenses	10,928	10,423	11,842	10,499	12,287
Transfers from NFPE's	23,587	18,672	19,923	19,642	27,178
Repayment of old loans	2,621	15,094	3,900	4,578	541
Rent & Royalties (1)	17,477	5,108	9,624	15,437	21,945
2). Capital revenue	11,327	10,126	6,390	9,988	28,366
3). Grants	36,815	17,475	14,079	25,280	87,197
TOTAL EXPENDITURE (1+2)	735,262	703,236	688,239	648,578	794,758
1). Current Expenditure	620,744	585,236	561,151	550,832	635,734
Wages and Salaries	219,464	235,313	221,264	218,075	229,687
Pensions	39,992	39,019	39,756	39,016	40,490
Goods and Services (2)	138,699	129,309	115,512	104,676	158,387
Interest Payments	170,217	107,938	149,523	141,973	134,885
Subsidies & current transfers (2)	52,372	73,657	35,097	47,093	72,284
2). Capital Expenditure	114,518	117,999	127,087	97,746	159,024
Capital II (local sources)	80,502	49,956	49,657	67,869	77,391
Capital III (foreign sources)	30,383	64,835	54,852	25,442	39,228
Capital Transfers & Net Lending (3)	3,633	3,208	8,578	4,435	42,405
Unidentified Expenditure	0	0	14,000	0	0
CURRENT BALANCE	-34,239	65,685	-49,691	15,176	14,181
OVERALL BALANCE	-100,615	-24,713	-156,309	-47,302	-29,281
PRIMARY BALANCE	69,603	83,225	-6,786	94,671	105,604
FINANCING	100,615		156,309	47,302	29,281
Net Privatization Proceeds	0		44,391	0	0
Domestic Financing	77,410		-19,000	-8,863	20,434
Central Bank	131,791		-10,161	58,788	8,930
Net Borrowing	81,174		16,534	47,003	696
Change in Deposits (4)	50,617		-26,695	11,785	8,234
Commercial Banks	-23,942		-19,611	-26,970	23,725
Net Borrowing	-18,242		-14,217	-24,679	22,037
Change in Deposits	-5,700		-5,394	-2,291	1,688
Other Domestic Financing (5)	1,028		10,772	-9,214	-12,221
Transaction with Gov't Guaranteed Debt	-31,467		0	-31,467	0
Financing Abroad	9,594		127,565	56,002	-2,039
Disbursements (6)	1,230,951		427,779	169,400	1,202,296
Amortization (7)	-1,220,406		-299,730	-122,835	-1,203,078
Change in Foreign Assets (8)	-951		-484	9,438	-1,256
Other	13,611		3,353	162	10,886

Sources: Ministry of Finance, Central Bank of Belize

(1) Rent and royalties included $4.8mn (2006) and $9.2mn (2007) in petroleum royalties.

(2) These line items contained expenditures that were previously classified as part of capital spending up to the end of March, 2007.

(3) Capital transfers In 2007 included $40.0mn that was transferred to non-resident entities in connection with the UHS government guaranteed debt.

(4) Deposits with the Central Bank excludes 'UK GOB Suspense', 'Supervisor of Insurance', 'GOB Special fund for WASA Projects' and 'Foreign Deposits by GOB' accounts. The latter is included in Financing Abroad as 'Change in Foreign Assets'.

(5) Other Domestic Financing included receivables of $12.7mn for Venezuelan fuel purchased from GOB in 2007.

(6) Disbursements in 2007 included $25.8mn for petroleum imported from Venezuela.

(7) Amortization in 2007 included $8.3mn in payment for petroleum imported from Venezuela.

(8) Balances on accounts held externally.

Table 18: Central Government's Domestic Debt

$'000

	Disbursed Outstanding Debt 12/31/2006	Transactions During 2007: Disbursement/ New Issues of Securities	Amortization/ Reduction in Securities	Interest Payment	Net Change in Overdraft/ Securities	Disbursed Outstanding Debt 12/31/2007
Overdraft	**89,093**	**0**	**0**	**12,269**	**23,377**	**112,470**
Central Bank	88,850	0	0	12,269	19,959	108,809
Commercial Banks	243	0	0	0	3,418	3,661
Treasury Bills	**100,000**	**0**	**0**	**3,215**	**0**	**100,000**
Central Bank	85,737	0	0	2,248	-17,592	68,145
Commercial Banks	12,027	0	0	920	17,780	29,807
Other	2,236	0	0	47	-188	2,048
Treasury Notes	**55,800**	**0**	**0**	**5,001**	**0**	**55,800**
Central Bank	44,243	0	**0**	3,951	-1,672	42,571
Commercial Banks	10,000	0	0	900	0	10,000
Other	1,557	0	0	150	1,672	3,229
Defence Bonds	**15,000**	**0**	**0**	**1,242**	**0**	**15,000**
Central Bank	10,000	0	0	800	0	10,000
Commercial Banks	100	0	0	9	0	100
Other	4,900	0	0	433	0	4,900
Loans	**39,966**	**10,389**	**11,746**	**3,715**	**0**	**38,609**
DFC (Debt Restructuring)[1]	6,820	0	6,820	128	0	0
BSSB [2]	643	6,669	492	416	0	6,820
GOB/US Debt Swap	8,937	0	1,240	242	0	7,697
Reconstruction & Development	2,061	0	399	286	0	1,662
BBL (Infrastructure dev.)	20,152	0	1,864	2,521	0	18,288
Guardian Life Bze	1,000	0	0	90	0	1,000
Atlantic Bank Ltd.	290	3,402	762	32	0	2,930
Belize Tourist Village [3]	63	318	169	0	0	212
TOTAL	**299,859**	**10,389**	**11,746**	**25,442**	**23,377**	**321,879**

(1) Outstanding loan balance to DFC at Jan 30th 2007 was paid-off with a loan from the BSSB.
(2) GOB has outstanding loan with BSSB consisting of (1) Hopeville Housing Project and (2) loan used to pay-off the DFC debt.
(3) A Promissory Note made to Belize Tourist Vlg reimbursing them for cost of dredging of Belize Harbour. This loan is interest free.

Table 19: Public Sector External Debt by Creditors(1)

$'000

	Disbursed Outstanding Debt 31/12/2006	Disbursements	Principal Payments	Interest & Other Payments	Parity Change	Disbursed Outstanding Debt 31/12/2007
CENTRAL GOVERNMENT	**1,820,981**	**1,202,296**	**1,203,078**	**109,848**	**3,461**	**1,823,659**
Banco Nacional de Comercio Exterior	8,999	0	1,059	531	0	7,940
Fondo de Financ. de las Exportaciones	544	0	218	29	0	327
Government of Great Britain	5,054	0	3,826	0	99	1,327
Government of Peoples Rep. of China	0	0	0	0	0	0
Government of the United States	4,908	0	1,515	181	0	3,393
Government of Trinidad and Tobago	16	0	4	0	0	12
Government of Venezuela(2)	101,146	25,814	108,268	2,190	0	18,692
Kuwait Fund for Arab Economic Dev	18,213	0	1,676	508	1,032	17,569
Republic of China	261,388	20,000	14,688	15,083	0	266,700
Allfirst Bank of Maryland	1,260	0	840	60	0	420
KBC Bank NV	5,869	0	5,869	242	0	0
Manufacturers & Traders Trust Co.	7,786	0	1,730	417	0	6,055
Belize Bank Ltd.	0	0	0	0	0	0
Bear Stearns & C0. Inc.	680,483	0	668,827	29,993	0	11,656
BWS Finance Limited	14,883	0	4,961	1,488	0	9,922
Russer Financial Ltd.	0	0	0	0	0	0
Citibank, Trinidad & Tobago	5,143	0	5,143	157	0	0
Citicorp Merchant Bank Ltd.	37,857	0	37,857	1,896	0	0
International Bank of Miami	105,246	0	105,246	2,561	0	0
Provident Bank & Trust of Belize	1,000	0	0	90	0	1,000
Royal Merchant Bank	217,205	0	217,205	12,814	0	0
Belize Estate and Co. Ltd.	0	0	0	0	0	0
Caterpillar Financial Services Corp.	188	0	188	4	0	0
Export Import Bank of the United States	0	0	0	0	0	0
Caribbean Development Bank	103,922	29,091	6,441	5,344	0	126,572
European Economic Community	17,729	0	667	114	2,103	19,165
European Investment Bank	646	0	210	14	76	512
Inter-American Development Bank	159,102	40,414	7,826	8,984	0	191,690
International Fund for Agric. Dev.	1,704	0	408	88	150	1,446
Intl. Bank for Reconstruction & Dev.	54,225	0	7,674	2,729	0	46,552
Opec Fund for Int'l. Development	6,466	4,947	733	344	0	10,680
Bank of New York (New Bond Issue)(3)	0	1,082,029	0	23,985	0	1,082,029
NON-FINANCIAL PUBLIC SECTOR	**41,065**	**0**	**4,142**	**1,604**	**432**	**37,355**
Kuwait Fund for Arab Economic Dev	6,916	0	703	136	376	6,589
Amtrade International Bank of Georgia	1,009	0	1,009	50	0	0
CIBC Bank & Trust Company	494	0	494	22	0	0
Caribbean Development Bank	32,646	0	1,936	1,397	56	30,766
FINANCIAL PUBLIC SECTOR	**108,087**	**0**	**26,561**	**6,600**	**1,077**	**82,603**
Paine Webber Real Estate Securities Inc.	1,400	0	200	78	0	1,200
N.V. De Smet S.A. Engineers	565	0	565	20	0	0
Government of the United States	1,322	0	428	36	0	894
Caribbean Development Bank	36,052	0	15,414	1,258	93	20,732
European Economic Community	557	0	37	5	72	592
European Investment Bank	9,892	0	1,297	310	912	9,507
Belize Mortgage Company (4)	58,298	0	8,621	4,892	0	49,677
GRAND TOTAL	**1,970,133**	**1,202,296**	**1,233,782**	**118,052**	**4,970**	**1,943,618**

(1) Excludes contingent liabilities of the Central Government.

(2) Disbursements of $25.8mn were for petroleum imported under the Petrocaribe Initiative.

(3) The new 'super bond' that was exchanged for various commercial bonds and loans.

(4) BMC is the issuer of DFC/North American Securitization Loan through the Bank of New York.

Table 20: Factors Responsible for Money Supply Movements

$mn

	Position as at			Changes During
	Dec 2005	Dec 2006	Dec 2007	2007
Net Foreign Assets	**134.2**	**261.0**	**351.1**	**90.1**
Central Bank	140.8	206.4	215.1	8.7
Commercial Bank	-6.6	54.6	136.0	81.4
Net Domestic Credit	**1,411.2**	**1,565.9**	**1,790.6**	**224.8**
Central Government (Net)	146.6	183.6	211.4	27.9
Other Public Sector	61.3	28.0	15.9	-12.0
Private Sector	1,203.3	1,354.3	1,563.3	208.9
Central Bank Foreign Liabilities (Long-term)	**0.0**	**0.0**	**0.0**	**0.0**
Other Items (net)	**213.5**	**321.9**	**405.6**	**83.7**
Money Supply M2	**1,331.9**	**1,504.9**	**1,736.1**	**231.2**

Table 21: Money Supply

$mn

	Position as at			Changes During
	Dec 2005	Dec 2006	Dec 2007	2007
Money Supply (M2)	**1,331.9**	**1,504.9**	**1,736.1**	**231.2**
Money Supply (M1)	**516.1**	**617.8**	**704.4**	**86.6**
Currency with the Public	117.5	136.9	153.4	16.5
Demand Deposits	254.6	326.3	381.3	55.0
Savings/Cheque Deposits	144.0	154.7	169.7	15.1
Quasi-Money	**815.8**	**887.1**	**1,031.7**	**144.6**
Savings Deposits	115.7	135.9	151.6	15.7
Time Deposits	700.1	751.2	880.1	128.9

Table 22: Net Foreign Assets of Banking System

$mn

	Position as at			Changes During
	Dec 2005	Dec 2006	Dec 2007	2007
Net Foreign Assets	**134.2**	**261.0**	**351.1**	**90.1**
Central Bank	**140.8**	**206.4**	**215.1**	**8.7**
Foreign Assets	143.5	208.8	217.5	8.7
Foreign Liabilities(Demand)	2.7	2.4	2.4	0.0
Commercial Banks	**-6.6**	**54.6**	**136.0**	**81.4**
Foreign Assets	147.6	180.4	203.3	22.9
Foreign Liab. (Short-Term)	154.2	125.8	67.3	-58.5

Table 23: Net Domestic Credit

$mn

	Position as at			Changes During
	Dec 2005	Dec 2006	Dec 2007	2007
Total Credit to Central Government	**249.2**	**271.7**	**294.3**	**22.7**
From Central Bank	181.8	228.9	229.5	0.7
From Commercial Banks	67.4	42.8	64.8	22.0
Less Central Government Deposits	102.6	88.1	82.9	-5.2
Net Credit to Central Government	**146.6**	**183.6**	**211.4**	**27.9**
Plus Credit to Other Public Sector	**61.3**	**28.0**	**15.9**	**-12.0**
Plus Credit to the Private Sector	**1,203.3**	**1,354.3**	**1,563.3**	**208.9**
Net Domestic Credit of the Banking System	**1,411.2**	**1,565.9**	**1,790.6**	**224.8**

Table 24: Sectoral Composition of Commercial Banks' Loans and Advances

$mn

	Position as at			Changes Dec 2006 to
	Dec 2005	Dec 2006	Dec 2007	Dec 2007
PRIMARY SECTOR	**141.7**	**155.8**	**182.0**	**26.2**
Agriculture	95.9	106.5	120.8	14.3
Sugar	9.5	11.5	13.4	1.9
Citrus	16.0	19.4	18.6	-0.8
Bananas	58.0	64.4	73.9	9.5
Other	12.4	11.2	14.9	3.7
Marine Products	19.6	15.2	27.4	12.2
Forestry	1.7	2.0	1.8	-0.2
Mining & Exploration	24.5	32.1	32.0	-0.1
SECONDARY SECTOR	**381.6**	**373.2**	**422.7**	**49.5**
Manufacturing	19.2	24.6	32.0	7.4
Building & Construction	300.8	316.5	365.2	48.7
Utilities	61.6	32.1	25.5	-6.6
TERTIARY SECTOR	**472.4**	**539.3**	**619.6**	**80.3**
Transport	33.3	45.8	55.8	10.0
Tourism	71.5	79.3	133.2	53.9
Distribution	157.6	173.8	193.9	20.1
Other(1)	210.0	240.4	236.7	-3.7
Personal Loans	**259.0**	**322.2**	**375.3**	**53.1**
TOTAL	**1254.7**	**1390.5**	**1599.6**	**209.1**

(1) Includes government services, real estate, financial institutions, professional services, and entertainment.

Table 25: Commercial Banks' Holdings of Approved Liquid Assets

$mn

	Position as at			Changes During
	Dec 2005	Dec 2006	Dec 2007	2007
Holdings of Approved Liquid Assets	**330.0**	**374.3**	**416.7**	**42.3**
Notes and Coins	35.6	39.6	42.5	2.8
Balances with Central Bank	111.8	149.1	167.8	18.7
Money at Call and Foreign Balances (due 90 days)	120.0	131.0	124.4	-6.6
Treasury Bills maturing in not more than 90 days	22.8	18.1	34.8	16.7
Other Approved assets	39.8	36.5	47.2	10.7
Required Liquid Assets	**271.6**	**310.0**	**358.2**	**48.2**
Excess/(Deficiency) Liquid Assets	**58.4**	**64.3**	**58.5**	**-5.9**
Daily Average holdings of Cash Reserves	112.2	150.0	164.4	14.4
Required Cash Reserves	103.5	134.8	155.7	20.9
Excess/(Deficiency) Cash Reserves	**8.7**	**15.2**	**8.7**	**-6.5**

Table 26: Commercial Banks' Weighted Average Interest Rates

Percentages

	Position as at			Changes Dec 2006 to
	Dec 2005	Dec 2006	Dec 2007	Dec 2007
Weighted Lending Rates				
Personal Loans	16.0	16.3	16.2	-0.1
Commercial Loans	14.2	13.8	13.8	0.0
Residential Construction	13.1	13.1	13.1	0.0
Other	12.2	12.4	13.5	1.1
Weighted Average	**14.3**	**14.2**	**14.3**	**0.1**
Weighted Deposit Rates				
Demand	0.7	0.7	1.1	0.5
Savings/ Cheque	5.3	5.3	5.2	-0.1
Savings	5.2	5.2	5.2	0.0
Time	7.8	8.2	8.4	0.2
Weighted Average	**5.5**	**5.8**	**6.0**	**0.3**
Weighted Average Spread	**8.8**	**8.5**	**8.3**	**-0.2**

Table 27: Central Bank Dealings in Foreign Exchange

$mn

Month	US $, Canadian $, and UK £ Purchases	Sales	Net	CARICOM Currencies Purchases	Sales	Net
January	58.4	16.4	42.0	0.00	0.43	-0.43
February	12.8	90.6	-77.8	0.00	0.02	-0.02
March	27.2	18.1	9.1	0.00	0.23	-0.23
April	42.3	11.0	31.3	0.00	0.20	-0.20
May	21.0	54.5	-33.5	0.24	0.07	0.17
June	18.5	17.3	1.2	0.00	0.17	-0.17
July	15.0	16.5	-1.5	0.00	0.19	-0.19
August	49.5	36.8	12.7	0.00	0.03	-0.03
September	8.9	20.9	-12.0	0.00	0.02	-0.02
October	13.7	23.1	-9.4	0.00	0.34	-0.34
November	22.7	18.7	4.0	0.00	0.10	-0.10
December	62.3	21.8	40.5	0.00	0.01	-0.01
Total	**352.3**	**345.7**	**6.6**	**0.24**	**1.81**	**-1.57**

Table 28: External Asset Ratio

MONTH	Assets $mn	Liabilites $mn	External Asset Ratio (%)
January	232.0	402.5	57.64
February	154.3	402.2	38.36
March	163.5	422.1	38.73
April	195.0	419.6	46.47
May	160.9	386.1	41.67
June	162.3	397.0	40.88
July	161.0	372.7	43.20
August	173.7	399.4	43.49
September	162.1	390.5	41.51
October	152.9	379.2	40.32
November	157.2	398.9	39.41
December	197.6	417.9	47.28

Table 29: Inter-bank Market Activity

$mn

Daily Average	Placed	Borrowed
January	2.7	2.7
February	7.8	6.8
March	10.9	5.9
April	8.7	8.5
May	14.8	6.1
June	14.9	8.8
July	9.4	7.6
August	11.9	4.3
September	11.7	1.5
October	13.3	0.9
November	19.7	4.3
December	28.5	8.0

Table 30: Central Bank Credit to Central Government

$mn

Month	Treasury Bills	Treasury Notes	Treasury Bonds	Overdraft Facility	A	B
January	77.8	44.2	10.0	50.10	5.16	9.54
February	75.8	44.2	10.0	131.77	5.09	25.11
March	73.8	44.2	10.0	146.70	5.01	27.95
April	62.9	44.2	10.0	124.66	4.58	22.14
May	57.5	44.0	10.0	116.28	4.36	20.66
June	67.1	43.4	10.0	118.04	4.71	20.97
July	53.3	43.1	10.0	110.17	4.16	19.57
August	68.8	43.1	10.0	111.25	4.77	19.76
September	65.7	43.1	10.0	119.05	4.64	21.15
October	55.8	43.1	10.0	127.99	4.25	22.74
November	66.3	43.1	10.0	138.83	4.67	24.66
December	68.1	42.6	10.0	108.81	4.72	19.33

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

Revised estimates for Fiscal 2005/2006 $524,857,066 (January - March)

Approved estimates for Fiscal 2006/2007 $562,944,828 (April - December)

Table 31: Government of Belize Treasury Bills Issues

Issue Number	Issue Date	Maturity Date	Allotment $mn	Average Discount %	Average Yield %
1/07	12/29/06	03/30/07	45.4	3.22	3.25
2/07	01/24/07	04/25/07	13.2	3.22	3.25
3/07	02/07/07	05/09/07	5.8	3.22	3.25
4/07	03/07/07	06/06/07	35.6	3.22	3.25
5/07	03/30/07	06/29/07	45.4	3.22	3.25
6/07	04/25/07	07/25/07	13.2	3.22	3.25
7/07	05/09/07	08/08/07	5.8	3.22	3.25
08/07	06/06/07	09/05/07	35.6	3.22	3.25
09/07	06/29/07	09/28/07	45.4	3.22	3.25
10/07	07/25/07	10/24/07	13.2	3.22	3.25
11/07	08/08/07	11/07/07	5.8	3.22	3.25
12/07	09/05/07	12/05/07	35.6	3.22	3.25
13/07	09/28/07	12/28/07	45.4	3.22	3.25
14/07	10/24/07	01/23/08	13.2	3.22	3.25
15/07	11/07/07	02/06/08	5.8	3.22	3.25
16/07	12/05/07	03/05/08	35.6	3.22	3.25

CENTRAL BANK OF BELIZE

2007 Financial Statements

TABLE OF CONTENTS

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INDEPENDENT AUDITORS' REPORT

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Audit & Risk Advisory
Business Solutions
Outsourcing
Real Estate
Corporate
Paralegal

To the Board of Directors of
Central Bank of Belize:

Report on the Financial Statements

We have audited the accompanying financial statements of Central Bank of Belize, which comprise the balance sheet as of December 31, 2007, and the statement of operations, statement of changes in equity, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. The financial statements for the year ended December 31, 2006 were audited by other auditors whose report dated February 14, 2007 expressed an unqualified opinion on those financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, the Central Bank of Belize Act and the Banking and Financial Institutions Act of Belize. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Central Bank of Belize as of December 31, 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, the Central Bank Act, and the Banking and Financial Institutions Act of Belize.

Castillo Sanchez & Burrell, LLP

Chartered Accountants
March 14, 2008

CENTRAL BANK OF BELIZE

BALANCE SHEET
DECEMBER 31, 2007 (IN BELIZE DOLLARS)

ASSETS	Notes	2007	2006
APPROVED EXTERNAL ASSETS:			
Balances and deposits with foreign bankers and Crown Agents	4	**$ 7,936,140**	$ 39,709,976
Reserve Tranche and balances with the International Monetary Fund	5	**20,123,906**	18,505,883
Other foreign credits instruments	6	**166,125,946**	129,000,000
Accrued interest and cash-in-transit	7,2k	**1,427,895**	798,866
Marketable securities issued or guaranteed by foreign government and international financial institutions	8	**2,000,000**	2,000,000
		197,613,887	190,014,725
BELIZE GOVERNMENT SECURITIES	9	**120,716,478**	139,979,534
BELIZE GOVERNMENT CURRENT ACCOUNT	10	**100,123,484**	77,215,718
BALANCES WITH LOCAL BANKERS AND CASH ON HAND		**75,118**	153,314
OTHER ASSETS	11	**10,814,575**	7,126,279
PROPERTY AND EQUIPMENT	12,2h	**29,777,252**	30,083,887
TOTAL ASSETS		**$459,120,794**	$444,573,457

The notes on pages 9 to 25 are an integral part of these financial statements.

CENTRAL BANK OF BELIZE

BALANCE SHEET (CONTINUED)
DECEMBER 31, 2007(IN BELIZE DOLLARS)

LIABILITIES, CAPITAL AND RESERVES	**Notes**	**2007**	2006
DEMAND LIABILITIES:			
Notes and coins in circulation		**$185,773,149**	$169,354,339
Deposits by licensed financial institutions	13	**149,482,134**	152,283,691
Deposits by and balances due to Government and Public sector entities in Belize		**82,006,733**	85,031,994
Deposits by international agencies	14	**2,378,394**	2,188,311
		419,640,410	408,858,335
BALANCES DUE TO CARICOM CENTRAL BANKS		**23,174**	197,880
OTHER LIABILITIES	15	**6, 506,153**	4,183,765
COMMERCIAL BANKS DISCOUNT FUND	16	**2,393,830**	2,745,321
TOTAL LIABILITIES		**428,563,567**	415,985,301
CAPITAL ACCOUNT			
Paid up capital (Authorized capital $10,000,000)		**10,000,000**	10,000,000
REVALUATION ACCOUNT	17	**4,015,306**	3,011,360
GENERAL RESERVE FUND	18	**16,541,921**	15,576,796
TOTAL LIABILITIES, CAPITAL AND RESERVES		**$459,120,794**	$444,573,457

) GOVERNOR
)
)
) DIRECTOR
)
)
)DEPUTY GOVERNOR,
OPERATIONS

The notes on pages 9 to 25 are an integral part of these financial statements.

CENTRAL BANK OF BELIZE

STATEMENT OF OPERATIONS
DECEMBER 31, 2007 (IN BELIZE DOLLARS)

INCOME	Notes	2007	2006
Interest			
Approved external assets	19	**$ 7,621,551**	$ 5,856,110
Advances to Government		**12,269,943**	13,330,420
Local securities		**4,723,747**	2,803,990
		24,615,241	21,990,520
Discount on local securities		**2,181,552**	2,183,670
Commissions and other income		**1,567,088**	1,608,139
TOTAL INCOME		**28,363,881**	25,782,329
LESS: Interest expense		**(5,516,193)**	(1,642,742)
Income from operations		**22,847,688**	24,139,587
EXPENDITURE			
Printing of notes and minting of coins		**(1,712,404)**	(1,547,726)
Salaries and wages, including superannuation contribution and gratuities	20	**(6,972,186)**	(5,884,117)
Depreciation		**(974,960)**	(1,111,255)
Administrative and general expenses	21	**(3,536,890)**	(2,669,362)
Total expenditure		**(13,196,440)**	(11,212,460)
NET PROFIT		**9,651,248**	12,927,127
NET PROFIT TRANSFERABLE TO THE GENERAL RESERVE FUND AND CONSOLIDATED FUND		**9,651,248**	12,927,127
Transfer to general reserve fund in accordance with Section 9(1) of the Act	18	**(965,125)**	(1,292,713)
Balance credited to the Accountant General for the Consolidated Revenue Fund		**$ 8,686,123**	$11,634,414

The notes on pages 9 to 25 are an integral part of these financial statements.

CENTRAL BANK OF BELIZE

STATEMENT OF CHANGES IN EQUITY
DECEMBER 31, 2007 (IN BELIZE DOLLARS)

	Share capital	Revaluation account	General reserve	Accumulated profits
January 1, 2006	$10,000,000	$2,081,924	$14,284,083	$ -
Net profit	-	-	-	12,927,127
Gain on revaluation	-	929,436	-	-
Transfer to Government of Belize	-	-	-	(11,634,414)
Transfer to General Reserve Fund	-	-	1,292,713	(1,292,713)
December 31, 2006	10,000,000	3,011,360	15,576,796	-
Net Profit	-	-	-	9,651,248
Gain on revaluation	-	1,003,946	-	-
Transfer to Government of Belize	-	-	-	(8,686,123)
Transfer to General Reserve Fund	-	-	965,125	(965,125)
December 31, 2007	**$10,000,000**	**$4,015,306**	**$16,541,921**	**$ -**

The notes on pages 9 to 25 are an integral part of these financial statements.

CENTRAL BANK OF BELIZE

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2007 (IN BELIZE DOLLARS)

	2007	2006*
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net profit	**$ 9,651,248**	$ 12,927,127
Adjustments to reconcile net profit to net cash provided by operating activities:		
- Amortization of intangible assets	**180,827**	57,815
- Depreciation of property and equipment	**974,960**	1,111,255
- (Gain) loss on disposal of property and equipment	**(13,533)**	14,326
Changes in assets and liabilities that provided (used) cash:		
Belize Government current account	**(22,907,766)**	11,321,064
Loans to public sector/commercial bank (Fixed deposits)	**-**	27,521,712
Treasury notes – net	**200,000**	(30,967,000)
Debentures	**-**	(2,000,000)
Reserve Tranche in the International Monetary Fund	**(639,810)**	(633,737)
Collateral deposits with foreign bankers	**36,952,609**	24,303,115
Other assets	**(3,869,123)**	1,312,616
Other liabilities	**2,322,388**	999,247
Revaluation Account	**1,003,946**	929,436
Net cash provided by operating activities	**23,855,746**	46,896,976
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	**(689,792)**	(580,155)
Proceeds from property and equipment	**35,000**	4,651
Net cash used in investing activities	**(654,792)**	(575,504)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Notes and coins in circulation	**16,418,810**	26,264,991
Transfer to consolidated reserve fund	**(8,686,123)**	(11,634,414)
Deposits by licensed financial institutions	**(2,801,557)**	39,942,247
Deposits by and balances due to Government and Public Sector Entities	**(3,025,261)**	11,615,927
Deposits by international agencies	**190,083**	(252,022)
Balances due to Caricom Central Banks	**(174,706)**	(98,062)
Commercial Bank Discount Fund	**(351,491)**	1,264,658
Net cash provided by financing activities	**1,569,755**	67,103,325

* This statement has been reclassified to ensure that prior year numbers are presented on a consistent basis.

The notes on pages 9 to 25 are an integral part of these financial statements.

CENTRAL BANK OF BELIZE

STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2007 (IN BELIZE DOLLARS)

	2007	2006*
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**$237,538,049**	$124,113,252
NET INCREASE IN CASH AND CASH EQUIVALENTS	**24,770,709**	113,424,797
CASH AND CASH EQUIVALENTS, END OF YEAR	**$262,308,758**	$237,538,049

CASH AND CASH EQUIVALENTS COMPRISE THE FOLLOWING:

	2007	2006*
EXTERNAL ASSETS:		
Balances and deposits with foreign bankers and Crown Agents	**$ 7,936,140**	$ 2,757,367
Other foreign credit instruments	**166,125,946**	129,000,000
Accrued interest	**1,208,367**	331,190
Cash-in-transit	**219,528**	467,676
Balance with the International Monetary Fund	**6,794,181**	5,815,968
	182,284,162	138,372,201
LOCAL ASSETS:		
Cash and bank balances	**75,118**	153,314
Government of Belize Treasury Bills	**68,145,478**	85,736,534
Current portion of Treasury Notes	**11,804,000**	13,276,000
	$262,308,758	$237,538,049

* This statement has been reclassified to ensure that prior year numbers are presented on a consistent basis.

The notes on pages 9 to 25 are an integral part of these financial statements.

1. GENERAL INFORMATION

Central Bank of Belize, (the Bank), was established under the Central Bank of Belize Act 1982, Chapter 262 of the Substantive Laws of Belize, and has its principal place of business in Belize City, Belize. Legislations covering its operations include the Central Bank of Belize Act and its amendments at May 31, 2003, the Banks and Financial Institutions Act and Regulations 2000, the International Banking Act 2003, the Money Laundering (Prevention) Act 2000, Regulations and Guidance Notes, the Financial Intelligence Unit Act 2002 along with a number of circulars.

The principal activity of the Bank is to foster monetary stability especially in regards 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 (IFRS), the Central Bank of Belize Act and the Banking & Financial Institutions Act. Certain prior year amounts which were audited by other auditors have been reclassified to conform to the 2007 presentation.

a. Form of presentation of the financial statements - Adopted IFRS and the Central Bank of Belize Act have been used as a model for the presentation and disclosure framework to provide additional information and analysis of key items in the financial statements except insofar as the Bank considers certain disclosures inappropriate to its functions.

b. Change in accounting policies - The Bank has adopted for the first time IFRS 7 *Financial Instruments: Disclosures*. IFRS 7 *Financial Instruments: Disclosures* is mandatory for reporting periods beginning on January 1, 2007 or later. The new Standard replaces and amends disclosure requirements previously set out in IAS 30 *Disclosures in the Financial Statements of Banks and similar financial institutions* and certain of the disclosure provisions in IAS 32. The first-time application of IFRS 7, however, has not resulted in any prior-period adjustments of cash-flows, net income or balance sheet line items, as these are only concerned with disclosures.

   In exceptional circumstances, as part of its central banking functions, the Bank may act as ‘lender of last resort’ to financial institutions in difficulty in order to prevent a loss of confidence spreading through the financial system as a whole. In some cases, confidence can best be sustained if the Bank’s support is disclosed only when conditions giving rise to potentially systemic disturbance have improved.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accordingly, although the financial effects of such operations will be included in the Bank's financial statements in the year in which they occur, these financial statements may not explicitly identify the existence of such support. However, the existence of such support will be reported without disclosing the identity of the relevant banking institution.

As a result, the financial statements of the Bank disclose less detail of certain elements than would be required under adopted IFRS. Disclosure limitations may include:

- Constituent elements of the Income Statement.
- Note disclosures for income and expenses, particularly relating to net interest income and provisions.
- Related disclosures in the Balance Sheet and Cash Flow Statement.
- Business segments (IAS 8).
- Contingent liabilities and guarantees.
- Information on credit risk.

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

d. All accounting estimates and assumptions that are used in preparing the financial statements are consistent with the Bank's latest approved budgeted forecast where applicable. Judgments are based on the information available at each balance sheet date. Although these estimates are based on the best information available to management, actual results may ultimately differ from those estimates.

e. 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 Bank and in maintaining property, plant and equipment in a state of efficiency has been charged to income, thereby arriving at the profit for the year.

Miscellaneous income and expenses are recognized on an accrual basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f. Inventories – Inventories are carried at lower of cost or net realizable value. Cost is determined on a first-in-first-out basis.

g. 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 that 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 the balance sheet date as published by the IMF are recognized in the Revaluation account in accordance with section 50 of the Act.

Foreign Marketable Securities
These consist of debentures issued by the Government of Dominica and are classified as held-to-maturity based on the Bank's positive intent and ability to hold these securities to maturity.

Belize Government Securities
The Bank's investment portfolio includes treasury bills, treasury notes and Belize Defence Bonds purchased from Government of Belize all of which the Bank has the positive intent and ability to hold to maturity. 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.

Loans to Public Sector
Loans to the public sector are carried at the original amount less an allowance for any uncollectible 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h. Property 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:

Property	1%, 5%
Furniture	10%
Equipment	10% – 25%
Vehicles	20%

i. Employee benefits

Pension
The Bank operates a defined benefit pension scheme for employees. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement. The legal obligation for any benefits remains with the Bank, even if plan assets for funding the defined benefit plan have been set aside. 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 to participate in the 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.

Severance
With effect January 1, 2005, an employee with a minimum of ten years of continuous service who resigns his employment is eligible to one week severance pay for each year of service in addition to retirement benefits in accordance with the Central Bank of Belize Pension Scheme Trust Deed and Rules.

j. 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)

k. Foreign currency translation and exchange gains and losses – The Bank's financial statements are presented in Belize dollars (BZD), which is the Bank's functional and presentational currency.

   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 (spot exchange rate).

   iii. Revaluation

   Section 50 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 are credited in a special account called Revaluation Account. Profit is not carried to the General Reserve Fund or paid to the Government under Section 9 (see note 18) when the Revaluation Account shows a net loss, but is first credited to the Revaluation Account in an amount sufficient to cover the loss.

l. Valuation of securities – Securities is 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.

m. Accrued interest and cash in-transit - Accrued interest and cash in-transit in respect of foreign assets are shown as part of external assets.

n. Taxation – In accordance with Article 52 of the Act, the Bank is exempt from the provision of any law relating to income tax or customs duties and from the payment of stamp duty.

o. Cash and cash equivalents - The Bank classifies as cash equivalents financial instruments with an original maturity of three months or less, and other balances that are readily marketable or convertible. The Bank's cash management and investment policies are of a conservative nature and as a result, investments are made in high grade liquid securities. The carrying value of cash and cash equivalents approximates fair value.

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 that 40 percent of the aggregate amount of notes and coins in circulation and of the Bank's liabilities to customers in respect if its sights and time deposits.

At December 31, 2007 and 2006 total approved external assets approximated 47 percent and 46 percent of such liabilities respectively.

4. BALANCES AND DEPOSITS WITH FOREIGN BANKERS AND CROWN AGENTS

There are no restricted foreign deposits. In 2006, $36,952,609 of restricted collateral deposits were held in designated reserve accounts with Bank of New York and were primarily used to secure payments on notes payable to international lenders by Government of Belize.

5. RESERVE TRANCHE AND BALANCES WITH THE INTERNATIONAL MONETARY FUND

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 (Reserve Tranche) and the remainder in Belize dollars made up of currency and non-interest bearing promissory notes.

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

At December 31, 2007, Belize's subscriptions to the International Monetary Fund amounted to SDR 1,932,986 and the Bank's Reserve Tranche amounted to SDR 4,238,690. The Reserve Tranche which earns interest is included in approved external assets in the financial statements at the exchange rate of BZ$3.1605 to SDR 1.0 at December 31, 2007 (2006 - BZ$3.0088 to SDR 1.0).

6. OTHER FOREIGN CREDIT INSTRUMENTS

These instruments comprise overnight deposits consisting of:

	2007	2006
Bank of America (Fixed Deposits)	**$ 50,000,000**	$ -
Crown Agents Financial Services (Fixed Deposits)	**50,085,946**	-
Federal Reserve Bank of New York	**64,400,000**	128,400,000
Bank of America (Overnight)	**1,240,000**	-
Citibank N.A. New York	**400,000**	600,000
	$166,125,946	$129,000,000

7. ACCRUED INTEREST AND CASH-IN-TRANSIT

Accrued interest and cash-in-transit consist of:

	2007	2006
Accrued interest	**$1,208,367**	$331,190
Cash-in-transit	**219,528**	467,676
	$1,427,895	$798,866

8. MARKETABLE SECURITIES ISSUED OR GUARANTEED BY FOREIGN GOVERNMENT AND FOREIGN FINANCIAL INSTITUTIONS

These securities, which are carried at cost, consist of 3.5% debentures issued by the Government of Dominica and maturing in 2034. The Bank has the positive intent and ability to hold these securities to maturity.

9. BELIZE GOVERNMENT SECURITIES

Belize Government securities consist of:

	2007	2006
3.25% Treasury Bills	**$ 68,145,478**	$ 85,736,534
9% Treasury Notes	**42,571,000**	44,243,000
8% Belize Defence Bonds	**10,000,000**	10,000,000
	$120,716,478	$139,979,534

The following table classifies the Bank's investments in Belize Government securities by the contractual maturity date of the security:

	2007	2006
Due within 1 year	**$ 79,949,478**	$ 99,012,534
Due within 1 year through 5 years	**30,767,000**	30,967,000
Due within 5 years through 10 years	**10,000,000**	10,000,000
	$120,716,478	$139,979,534

9. BELIZE GOVERNMENT SECURITIES (Continued)

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, subsequently amended to seven times in April 2006. At December 31, 2007 and 2006 the Bank's aggregate holding of Belize Government securities approximated 4.55 times and 5.47 times, respectively, the amount of paid up capital and general reserves of the Bank. Government securities are classified as held-to-maturity based on the Bank's ability to hold the securities to maturity. As these securities are not publicly traded, fair values have been estimated based on present values of the expected cash flows.

10. BELIZE GOVERNMENT CURRENT ACCOUNT

In accordance with Section 34 of the Act, the Bank may make direct advances to the Government provided that at any one time the total outstanding amount of direct advances shall not exceed twenty percent of the current revenues of the Government collected during the preceding financial year or the sum of fifty million dollars, whichever is greater. At December 31, 2007 and 2006 advances to Government represent approximately 86 percent and 73 percent of the authorized limit respectively.

11. OTHER ASSETS

	2007	2006
Other assets consist of:		
Inventory of notes and coins	**$ 4,172,404**	$3,003,514
Prepayments and accrued interest	**4,838,877**	1,966,617
Accounts receivable	**1,439,006**	1,473,234
Museum endowment fund	**520,335**	520,335
Other	**140,410**	278,209
	11,111,032	7,241,909
Less amortization:	**(296,457)**	(115,630)
	$10,814,575	$7,126,279

Museum endowment fund is being 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 (CMCF). Interest has not been recognized on the loan since October 2004. The decision was made by CMCF to write-off a proportional share as agreed with the Highly Indebted Poor Countries (HIPC) initiative in three equal payments of $123,011. Once the write-off is complete in 2009, the remaining balance is expected to be received from CMCF and the HIPC Trust Fund.

12. PROPERTY AND EQUIPMENT

Cost	Property	Furniture	Equipment	Vehicles	Total
Balance at, January 1, 2007	$30,441,554	$1,081,796	$5,411,640	$379,339	$37,314,329
Additions	-	87,165	446,968	155,659	689,792
Disposals	-	-	(54,319)	(61,000)	(115,319)
Balance at, December 31, 2007	30,441,554	1,168,961	5,804,289	473,998	37,888,802
Accumulated depreciation					
Balance at January 1, 2007	2,267,728	839,623	3,880,202	242,889	7,230,442
Depreciation charge for the year	280,626	75,984	558,187	60,163	974,960
Disposal	-	-	(54,405)	(39,447)	(93,852)
Balance at, December 31, 2007	2,548,354	915,607	4,383,984	263,605	8,111,550
Net book value					
December 31, 2007	**$27,893,200**	**$ 253,354**	**$1,420,305**	**$210,393**	**$29,777,252**
December 31, 2006	$28,173,826	$ 242,173	$1,531,438	$136,450	$30,083,887

13. DEPOSITS BY LICENSED FINANCIAL INSTITUTIONS

Under the revised provisions of Section 13 of the Banks and Financials Institutions Act 1995, licensed financial institutions are required to keep on deposits with the Bank an amount equivalent to at least 9% - effective January 1, 2006, subsequently amended to 10% effective September 2, 2006 - 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 and are comprised as follows:

	2007	2006
Commercial banks	**$147,682,134**	$150,483,691
International financial institutions	**1,800,000**	1,800,000
	$149,482,134	$152,283,691

14. DEPOSITS BY INTERNATIONAL AGENCIES

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

	2007	2006
Commission of the European Communities	**$ 772,987**	$ 271,188
International Monetary Fund	**151,490**	144,218
Caribbean Development Bank	**103,736**	70,522
Inter-American Development Bank	**845,934**	985,933
International Bank for Reconstruction and Development	**504,247**	716,450
	$2,378,394	$2,188,311

15. OTHER LIABILITIES

	2007	2006
Severance and gratuities	**$ 835,453**	$ 813,443
Abandoned property	**2,404,670**	2,208,394
Other	**3,266,030**	1,161,928
	$6,506,153	$4,183,765

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 June 30, 1987 to finance this facility. The facility enabled commercial banks in Belize to discount with the Bank up to 100% of loans made to sub-borrowers for projects approved by 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 9-12 years and 31 equal semi-annual principal payments for 15 ½ years.

Reflows on-lent to DFC amounted to $0 net of repayments in 2007 (2006 - $107,730).

	2007	2006
Loan payable to USAID	**$ (894,380)**	$(1,321,989)
Loans receivable from institutions	**-**	107,730
	(894,380)	(1,214,259)
Interest paid to USAID	**2,277,527**	2,241,051
Interest received from institutions	**(3,776,977)**	(3,772,113)
	$(2,393,830)	$(2,745,321)

17. REVALUATION ACCOUNT

The Revaluation Account has been set up in compliance with Section 50 of the Act, where all profits or losses are carried to a special account called Revaluation Account.

	2007	2006
Net gain on revaluation of Reserve Tranche in the International Monetary Fund	**$ 955,118**	$ 912,943
Net gain on revaluations during the year	**3,060,188**	2,098,417
	$4,015,306	$3,011,360

18. GENERAL RESERVE FUND

Section 9(1) of the Act provides for the establishment of a General Reserve Fund into which is paid 20 percent of the net profit of the Bank in each financial year until the Fund is equal to the amount of the Bank's paid up capital. Thereafter, 10 percent is paid into the Fund.

	2007	2006
Balance at beginning of year	**$15,576,796**	$14,284,083
Transfer from net profit	**965,125**	1,292,713
Balance at end of year	**$16,541,921**	$15,576,796

19. INTEREST ON APPROVED EXTERNAL ASSETS

	2007	2006
Interest earned on overnight deposits	**$6,748,988**	$5,194,099
Interest earned on marketable securities	**70,000**	70,000
Interest earned on balances and deposits with foreign bankers and Crown Agents	**802,563**	592,011
	$7,621,551	$5,856,110

20. SALARIES AND WAGES, INCLUDING SUPERANNUATION CONTRIBUTION AND GRATUITIES

Expense recognized for employee benefits is analyzed below:

	2007	2006
Wages and salaries	**$6,608,940**	$5,584,104
Social security costs	**122,426**	109,239
Pensions - defined benefit plans	**240,820**	190,774
Employee benefits expense	**$6,972,186**	$5,884,117

21. ADMINISTRATIVE AND GENERAL

	2007	2006
Advertising	**$ 34,242**	$ 25,815
Audit fees	**45,220**	33,000
Bad debt write off	**180,827**	57,815
Bank charges	**30,621**	26,786
Bank publications	**28,464**	13,905
Books and publication	**48,945**	30,168
Building repairs and maintenance	**751,378**	387,937
Cash shipment	**25,663**	26,981
Computer software license	**77,220**	68,832
Conference	**81,281**	64,577
Director’s fees	**16,500**	12,800
Donations	**52,714**	42,409
Entertainment	**17,299**	12,171
Equipment maintenance	**40,856**	23,404
Firearms license and ammunitions	**16,003**	6,683
Freight charges	**15,981**	6,279
Hurricane preparedness	**19,703**	22,888
Insurance expense	**112,576**	111,219
Legal fees	**57,968**	9,900
Membership fees	**66,409**	54,546
Motor vehicle	**65,257**	65,510
Other miscellaneous expense	**263,824**	153,646
Overseas meeting and conferences	**195,255**	300,084
Professional services and technical support	**163,765**	101,217
Small equipment purchases	**16,395**	13,696
Supplies	**215,999**	192,294
Surveys	**29,537**	21,865
Travel (local)	**8,782**	6,001
Utilities expense	**858,206**	776,934
	$3,536,890	$2,669,362

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 $240,820 (2006 - $190,774) to the scheme. The scheme is financially separate from the Bank and is managed by a Board of Trustees. The cost of plan benefits is determined using an accrued benefit valuation method.

The last actuarial valuation done at December 31, 2004 reported the present value of past service liabilities and plan assets to be $4,386,000 and $6,477,000, respectively.

Significant actuarial assumptions used in the valuation were:

I. A valuation rate of interest of 7% p.a.
II. A rate if escalation of pensionable salaries of 5% p.a.
III. Pension will not increase in the course of payments.

Under the plan, the employees are entitled to retirement benefits varying between 60 and 70 percent 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.

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.

23. RELATED PARTY TRANSACTIONS (Continued)

Transactions with related party during the period were as follows:

	Belize Social Security Board	Development Finance Corporation	SSB Mortgage Securitization Proceeds	DFC Mortgage Securitization Proceeds	Financial Intelligence Unit	Belize Tourism Board	SSB Deposit Account	GOB Current Acct.
Opening Balances	$ (437,881)	$ (259,701)	$(1,291,036)	$ (2,266)	$ (19,066)	$ (254,042)	$(32,584,102)	$ 77,215,718
Deposits	1,623,587	22,104,555	2,345,000	3,206,266	470,056	6,852,932	9,548,798	(1,004,875,743)
Disbursements	(1,209,985)	(22,964,289)	(1,412,650)	(3,206,266)	(549,500)	(7,213,702)	(8,592,670)	1,027,783,509
Closing Balances	$ (24,279)	$(1,119,435)	$ (358,686)	$ (2,266)	$ (98,510)	$ (614,812)	$(31,627,974)	$ 100,123,484

Key management personnel

The following information is presented only in respect of those employees of the Bank who would be considered as key management personnel, as defined under IAS 24 (Related Party Disclosures). This comprises of the Governor and Deputy Governor, and other members of the Board and non-executive Directors. At December 31, 2007, the number of key management personnel was 15 (2006: 14)

Compensations of key management personnel

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

	2007	2006
Short-term benefits	**$ 967,644**	$786,559
Post-employment benefits	**32,505**	21,375
Termination benefits	**84,651**	82,037
	$1,084,800	$889,971

Loans and advances to key management personnel

As at December 31, 2007 an amount of $117,170 (2006 - $111,639) was receivable from key managerial personnel as approved advances made by the Bank. No provisions have been recognised in respect of loans given to related parties.

All employees, excluding certain key management personnel, may choose to take personal loans (for periods up to 5 years at an interest rate of 5%) as part of their remuneration package.

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 adsorb 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:

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 estimate 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. FINANCIAL RISK MANAGEMENT

Credit risk

The Bank is exposed to credit risk, which is the risk of loss arising from the failure of a borrower, issuer, counterparty or customer to meet its financial obligations to the Bank. Credit risk arises when the Bank provides liquidity to financial institutions via open market operations as part of monetary policy implementation; and in the Bank's management of its Balance Sheet, for example in the investment of the Bank's own funds and in the course of the banking services it provides to its customers.

25. FINANCIAL RISK MANAGEMENT (Continued)

In providing liquidity via open market operations and, via the Bank's operation of wholesale payment systems, credit risk is mitigated by dealing with counterparties that meet appropriate credit and functional criteria, and by ensuring that Cash Reserves and Liquid Asset Requirements for licensed financial institutions are met. In addition, credit risk on the securities held by the Bank is managed by holding only high-quality securities, issued chiefly by governments, government agencies and supranational organizations.

Market and interest rate risk

The Bank is exposed to market risk, principally through changes in the relative interest rates received on its assets and paid on its liabilities. Limited exposure may also be incurred to changes in exchange rates and to shifts in general market conditions, such as the liquidity of asset markets. The Bank manages this minimal exposure to market risk by projecting all liabilities without the dependence of interest earned on its assets. Also, the Bank's exposure to market risk as a result of changes in exchange rates is mitigated by having minimum required deposits in foreign currencies other than United States dollar.

Operational risk

The Bank is exposed to operational risk which can lead to financial losses through error, fraud or inefficiencies. The Bank mitigates this risk by constantly revisiting internal controls, adhering to the Fraud Policy and reliance on the Internal Audit function.

Liquidity risk

IFRS 7 requires an analysis of the Bank's assets and liabilities at the Balance Sheet date into relevant maturity groupings based on the remaining period to the contractual maturity date. This requirement is not relevant to the Central Bank which is the ultimate source of Belize dollar liquidity.

In managing the foreign currency liquidity risk, the Bank makes every effort to hold appropriate cash balances by forecasting and monitoring liquidity through cash flow matching and holding a portfolio of liquid foreign exchange reserves.

26. AUTHORIZATION OF FINANCIAL STATEMENTS

No adjusting or significant non-adjusting events have occurred between the balance sheet date and the date of authorization on March 14, 2008 by the board.

GOVERNOR

DEPUTY GOVERNOR,
OPERATIONS

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