Central Bank of Belize Annual Report 2008

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April 30, 2009

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, 2008, together with a copy of the Bank's Statement of Accounts, as certified by the External Auditors.

Yours sincerely,

Glenford Ysaguirre
Governor

CENTRAL BANK OF BELIZE

Twenty-seventh Annual Report

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Statement of Accounts

For the Year Ending 31 December 2008

Abbreviations and Conventions
used in this Report

BFIA	Banks and Financial Institutions Acts, 1995
BKE	Bilateral Key Exchange
BMC	Belize Mortgage Company
BPM	Balance of Payments Manual
BSI	Belize Sugar Industries Limited
BSSB	Belize Social Security Board
BTB	Belize Tourism Board
BTIA	Belize Tourism Industry Association
BWSL	Belize Water Services Limited
CARICOM	Caribbean Community and Common Market
CABEI	Central American Bank for Economic Integration
CARTAC	Caribbean Regional Technical Assistance Centre
CBB	Central Bank of Belize
CCMS	Caribbean Centre for Monetary Studies
CDB	Caribbean Development Bank
CEMLA	Centre 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.
CMCF	Caricom Multilateral Clearing Facility
CPR	Cardiopulmonary Resuscitation
CSDRMS	Commonwealth Secretariat Debt Recording and Management System
DFC	Development Finance Corporation
DGBAS	The Directorate General of Budget, Accounting and Statistics
ECCB	Eastern Caribbean Central Bank
ECLAC	Economic Commission for Latin America and the Caribbean
EIB	European Investment Bank
EPZ	Export Processing Zone
ERM	Enterprise Risk Management
EU/EEC	European Union
MEMCIDI	Fund of the Inter- American Council for Integral Development
FOB	Free on Board
FSSD	Financial Sector Supervision Department
FY	Fiscal Year
GDP	Gross Domestic Product
GOB	Government of Belize
GST	General Sales Tax
GOB	Government of Belize
GST	General Sales Tax
HIPC	Heavily Indebted Poor Countries
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IBA	International Banking Act
IDB/IADB	Inter-American Development Bank
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
ITD	Information Technology Department
ITVET	Institute for Technical and Vocational Education Training
LDC	Less Developed Countries
NEMO	National Emergency Management Organization
NFC	Not from concentrate
NGO	Non Governmental Organization
NHI	National Health Insurance
OECD	Organisation for Economic Cooperation and Development
OECS	Organisation of Eastern Caribbean States
OPEC	Organisation of the Petroleum Exporting Countries
PGIA	Phillip Goldson International Airport
PIC	Public Investment Company
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
SICA	Sistema de Integracion Centro America
SITC	System of International Trade Classification
UHS	Universal Health Services
UK	United Kingdom
US/USA	United States of America
VEMS	Visitor Expenditure Motivation Survey
WTO	World Trade Organisation

Notes and Conventions:

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

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DIRECTORS AND PRINCIPALS

At December 31, 2008

BOARD OF DIRECTORS

ALAN SLUSHER
Chairman

RAPLH FEINSTEIN
Vice Chairman

KERRY BELISLE

DARRELL BRADLEY

GLENFORD YSAGUIRRE
Ex-officio Member

CHRISTINE VELLOS
Ex-officio Member

JOSEPH WAIGHT
Ex-officio Member

PRINCIPAL OFFICERS

Glenford Ysaguirre
Governor

Christine Vellos
Deputy Governor - Economic Intelligence

Marilyn Gardiner-Usher
Deputy Governor - Operations

Ornel Brooks
Chief of Security

Carol Hyde
Director, Human Resources

Rabey Cruz
Director, Information Technology

Angela Wagner
Director, Administration

Michelle Estelle
Director, Banking & Currency

Neri Matus
Director, Financial Sector Supervision

Effie Ferrera
Director, Internal Audit

Hollis Parham
Director, Finance

Azucena Quan-Novelo
Director, Research

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 maintain the integrity and reputation of the financial system.

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.
- Ensuring that the decisions and relevant directives of the Board are communicated to all parties concerned.
- 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

- 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.
- Maintaining the Bank's plant and equipment.
- Providing reprographic services to the Bank.

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 (2) 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 security operations within the Bank.

FUNCTIONAL CHART

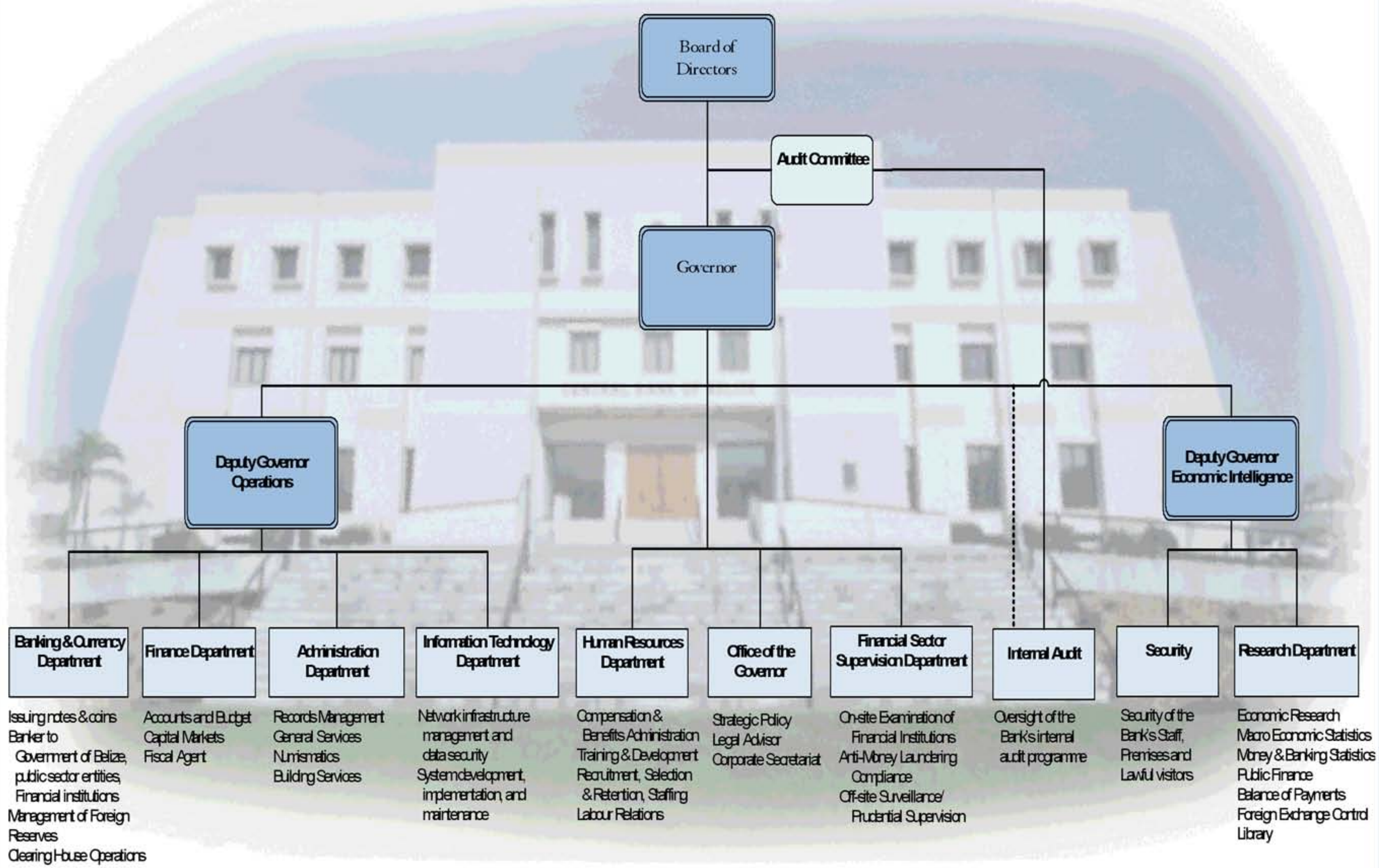


Table 1: Major Economic Indicators

	2001	2002	2003	2004	2005	2006	2007	2008
POPULATION AND EMPLOYMENT								
Population (Thousands)	255.3	262.7	271.1	281.1	289.9	299.8	309.8	322.1
Employed Labour Force (Thousands)	85.9	84.7	89.2	95.9	98.6	102.2	111.8	114.5
Unemployment Rate (%)	9.1	10.0	12.9	11.6	11.0	9.4	8.5	8.2
INCOME								
GDP at Current Market Prices ($mn)	1,743.7	1,865.4	1,976.4	2,112.6	2,229.7	2,426.2	2,553.5	2,773.4
Per Capita GDP ($, Current Mkt. Prices)	6,829.9	7,100.7	7,290.3	7,515.1	7,691.9	8,093.6	8,243.5	8,610.4
Real GDP Growth (%)	5.0	5.1	9.3	4.6	3.0	4.7	1.2	2.1
Sectoral Distribution of Constant 2000 GDP (%)								
Primary Activities	14.4	13.3	16.9	18.1	18.1	16.2	12.8	11.0
Secondary Activities	17.2	17.2	15.2	15.1	14.6	17.5	17.7	19.8
Services	57.6	55.2	53.7	57.8	58.7	57.5	59.9	55.0
MONEY AND PRICES ($mn)								
Inflation (Annual average percentage change)	1.1	2.2	2.6	3.1	3.7	4.2	2.3	6.4
Currency and Demand deposits (M1)	364.8	358.1	442.6	492.2	516.1	617.9	704.4	706.2
Quasi-Money (Savings and Time deposits)	676.0	705.3	659.7	756.1	815.8	887.1	1,031.7	1,260.4
Money Supply (M2)	1,040.8	1,063.4	1,102.3	1,248.3	1,331.9	1,505.0	1,736.1	1,966.6
Ratio of M2 to GDP (%)	59.7	57.0	55.8	59.1	59.7	62.0	68.0	70.9
CREDIT ($mn)								
Commercial Bank Loans and Advances	788.5	904.6	1,056.6	1,176.5	1,254.7	1,390.5	1,599.6	1,742.4
Public Sector	12.9	16.0	30.0	46.3	62.4	48.6	40.8	19.1
Private Sector	775.6	888.6	1,026.6	1,130.2	1,192.3	1,342.8	1,558.8	1,723.3
INTEREST RATE (%)								
Weighted Average Lending Rate	15.4	14.5	14.2	14.0	14.3	14.2	14.3	14.1
Weighted Average Deposit Rate	4.3	4.5	4.9	5.2	5.5	5.8	6.0	6.4
Weighted Average Interest Rate Spread	11.1	10.0	9.3	8.8	8.8	8.5	8.3	7.8
CENTRAL GOVERNMENT FINANCES ($mn)								
Current Revenue	372.1	425.8	422.2	451.9	511.5	566.0	651.5	729.6
Current Expenditure	333.7	333.4	393.0	474.1	561.2	550.8	636.1	618.9
Current Account Surplus(+)/Deficit(-)	38.4	92.3	29.1	-22.2	-49.7	15.2	15.3	110.6
Capital Expenditure	267.4	260.3	276.4	173.2	123.1	97.1	160.4	144.5
Overall Surplus(+)/Deficit(-)	-196.5	-108.8	-216.0	-133.6	-152.3	-46.7	-30.8	31.2
Ratio of Budget Deficit to GDP at mkt. Prices (%)	-11.3	-5.8	-10.9	-6.3	-6.8	-1.9	-1.2	1.1
Domestic Financing (Net)	72.7	-180.9	-62.4	-36.2	-19.0	-8.9	20.3	-21.3
External Financing (Net)1	123.9	278.3	380.7	179.9	127.6	56.0	-2.0	-7.0
BALANCE OF PAYMENTS (US $mn)								
Merchandise Exports (f.o.b.)[2]	269.1	309.7	315.5	308.4	325.2	427.1	425.6	464.7
Merchandise Imports (f.o.b.)	478.1	496.9	522.3	480.7	556.2	611.9	642.0	788.1
Trade Balance	-209.0	-187.2	-206.8	-172.3	-231.0	-184.8	-216.4	-323.4
Remittances (Inflows)	26.4	24.3	29.3	30.9	40.9	57.8	70.8	74.1
Tourism (inflows)	110.5	121.5	149.7	168.1	213.6	260.1	288.6	281.1
Services (Net)	46.1	46.0	71.1	88.2	143.0	210.7	229.9	219.5
Current Account Balance	-190.4	-165.3	-184.3	-154.9	-151.2	-25.4	-52.1	-153.7
Capital and Financial Flows	179.2	168.0	188.5	127.3	147.3	83.2	113.8	218.1
Gross Change in Official International Reserves	-2.7	-5.4	-30.1	-31.2	-12.2	49.8	22.9	57.6
Gross Official International Reserves[3]	120.1	114.7	84.6	48.0	35.8	85.6	108.5	166.2
Import Cover of Reserves (in months)	3.2	3.2	2.1	1.4	0.8	1.8	2.3	2.8
PUBLIC SECTOR DEBT								
Disbursed Outstanding External Debt (US $mn)	489.5	632.8	805.9	893.1	970.5	985.7	972.7	955.5
Ratio of Outstanding Debt to GDP at Mkt. Prices (%)	56.1	67.8	81.6	84.5	87.1	81.3	76.2	68.9
External Debt Service Payments (US $mn)	76.9	77.3	82.8	96.8	88.9	134.3	135.2	97.1
External Debt Service Ratio (%)[4]	17.3	15.7	15.7	17.8	14.2	17.0	16.4	11.4
Disbursed Outstanding Domestic Debt ($ mn)	208.7	171.9	256.5	278.5	279.4	299.9	321.9	332.8
Domestic Debt Service Payments ($ mn)[5]	17.7	19.2	13.7	18.8	23.1	27.5	30.4	47.7

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), the restructuring amount of US$541.0mn in 2007 and US$0.8mn in 2008.

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

ECONOMIC OVERVIEW

GDP growth accelerated slightly to 2.1% in 2008 notwithstanding a deepening global financial crisis and extensive damage from floods in June and October. The main impetus came from the secondary sector as marked expansions in construction activity and petroleum extraction more than compensated for the halt in the Williamson factory's garment export production. A positive contribution came from the tertiary sector with a contraction in 'Hotels and Restaurants' being outweighed by continued buoyancy in 'Transport and Communications' and distributive trade. Meanwhile, output from the primary sector experienced a decline as floods and disease took its toll on the agricultural sector and the contribution from fishing fell as a result of reduced production of farmed shrimp.

The unemployment rate was measured at 8.2% in the month of May (down from 8.5% in April 2008) with the seasonal rise in economic activities yielding a 2.4% expansion in jobs relative to a 1.9% increase in the labour force. Surging prices for fuel and food in the first three quarters of the year pushed the domestic price level up by 6.4%, the highest increase of the past twelve years. Prices for 'Food, Beverage and Tobacco' were up by 13.3%, mostly due to the rising cost of staples such as rice, flour, bread, milk, cooking oil, eggs and whole chicken. 'Rent, Water & Fuel" was next with a 3.6% increase that largely reflected higher butane prices.

On the external side, the trade deficit widened by 49.4% with rising prices and substantial capital investments feeding a 22.8% surge in imports while exports rose by a lesser 9.2%. The result was a near tripling of the external current account deficit, which was financed by foreign direct investment into real estate, tourism and petroleum as well as private sector external borrowings. The buoyancy of these inflows contributed to a $115.2mn increase in the gross official foreign reserves bringing it to a level that was equivalent to 2.8 months of merchandise imports at year-end.

In its fiscal operations for the 2008 calendar year, Central Government generated an overall surplus (the first in 20 years) equivalent to 1.1% of GDP while its primary surplus rose to 4.9% of GDP. Foreign grants and heightened receipts from petroleum operations accounted for a significant portion of total revenues during the year. (The overall balance reverts to a deficit and the primary surplus shrinks to 2.9% of GDP when grants are not factored in.) While total revenues were up by 3.8%, expenditures were 4.2% lower due to marked reductions in capital transfers and foreign interest payments as well as the non-repetition of substantial debt restructuring fees incurred in the previous year.

The improved fiscal outturn contributed to net reductions in financing from abroad as well as from the domestic banking system. A 1.8% contraction in the public sector's external debt occurred with amortization payments, a loan transfer to the private sector and downward valuation adjustments summing to $117.8mn while disbursements totaled $83.0mn, approximately 57.0% of which came from Venezuela in the form of credit for fuel imports. At year-end, the public sector's external debt to GDP ratio stood at 68.9%. While its net use of domestic financing was down, the government's gross domestic debt rose by 3.4% due to its increased use of the Central Bank overdraft facility.

No monetary policy interventions were undertaken in 2008 with commercial banks statutory reserve requirements being maintained at the heightened levels set in September 2006 in order to restrain credit expansion and facilitate the replenishment of foreign reserves. The fiscal outturn supported this with a build-up in deposits at the Central Bank contributing to a 14.5% contraction in net credit to the government from the banking system as well as a deceleration in overall credit expansion from 14.3% to 7.4%. Private sector credit growth slowed from 15.4% to 10.6% marked by a sizeable increase in personal loans, a slight deceleration in lending for services and primary production as well as a small contraction in lending to the secondary sector due to the clearing of the Universal Health Services (UHS) debt.

Supported by the growth in private sector credit and buoyant foreign exchange inflows, the broad money supply expanded by 13.3% (compared to 15.4% in 2007) with growth being largely concentrated in time deposits, particularly those held by individuals. While the Central Bank's net foreign assets rose by 53.1%, this was somewhat offset by a downward shift of 29.9% in the commercial banks' net position reflecting increased borrowings abroad to facilitate unusually large one-off cash transfers on their own account and on behalf of their customers.

In line with expectations, holdings of statutory reserves by commercial banks were 18.0% above requirements in the first half of the year with some seasonal tightening occurring in the third quarter as lending accelerated. A deceleration in lending as well as a surge in inflows, partly from tourism and partly from repatriation of funds held abroad sharply boosted the banks' liquidity in the fourth quarter resulting in a 43.8% rise in the end of year position relative to the previous year. Both primary and secondary liquidity remained unevenly distributed across banks, with the disparity occasionally fostering competition for the business of large depositors. This led to a 38 basis points rise in the weighted average deposit rate while the weighted average lending rate declined by 20 basis points. The shrinking of the interest rate spread brought it to 7.8%, the lowest level since 1990.

Economic Prospects

The negative impact of the global financial crisis on tourism, foreign direct investment and remittances underscores the continued need for careful domestic economic management, especially since Belize's heavy external debt burden severely limits the space for fiscal maneuvering. The government's financial position could be further complicated by projected declines in revenues from petroleum and grants, developments that would heighten the need for specific revenue measures to head off a widening fiscal gap if current expenditure levels are to be maintained. With this backdrop, GDP growth in 2009 is projected to decelerate to approximately 1.8% reflecting contractions in distributive trade, tourism, construction and citrus production as well as a slowdown in real estate, rental and business services.

The reduction in economic activity is consistent with a lower external current account deficit and current projections are for the deficit to shrink from 11.1% to 9.7% of GDP mainly due to a lower trade gap. Imports are projected to contract by about 12.0% mainly because of lower prices (particularly for fuel), a significant slowdown in imports for large, capital intensive projects that will be winding down and reduced trade activity in the CFZ. The slump in export earnings, will be even larger at 16.0% due to a substantial weakening in the prices of the country's major commodity exports. On the other hand, projected declines in inflows from tourism and remittances are likely to be counterbalanced by lower international freight charges and profit repatriation. Net inflows on the capital and financial account adequately covered the current account gap in 2008, but since these are projected to decline by nearly 40.0% due to a contraction in foreign direct investment and private sector external borrowing, the external current account deficit will need to be financed partly by drawing down on the official foreign reserves. Even so, import coverage should rise to around 3.0 months of merchandise imports due to the lowering in value of monthly imports.

In 2009, the main growth drivers are likely to come from the primary sector with a significant increase in petroleum extraction coinciding with expansions in fishing and agriculture. The addition of 2 wells in the Spanish Lookout field should boost annual production by 21.0% to 1.6mn barrels. Even with 13.0% of gross production targeted for local refining, export volume should expand by 18.0% although a sharp fall in the average export price is expected to slice export earnings by 52.0%.

The citrus harvest is forecasted to decline by 16.9% as a result of bad weather, a poor first crop and flood damage to groves, but this will be outweighed by a strong rebound in sugarcane production together with expansions in papaya, banana and rice. Recovering fully from hurricane damage, deliveries of sugarcane for the 2008/2009 crop are expected to rise by 17.3% to 1.2mn long tons. This will facilitate a rise in production and exports of sugar. While a 36.6% expansion in the latter is being projected, the rise in export value will be smaller (6.6%) mainly due to a further programmed cut in the EU sugar price and the depreciation of the Euro against the US dollar. Papaya should continue its modest pace of recovery with growth of 7.0% and the Banana Growers Association has indicated that banana output will increase by a marginal 0.7%. Rice producers are expecting a 25.0% boost in output, whereas output of corn should flatten due to setbacks from the flood.

After three consecutive years of contraction, fishing should deliver growth of 7.4% with some farmers expanding shrimp output to offset falling prices, and cobia production surging by some 70.0% as the hatchery becomes fully operational. Minimal change is expected in tilapia production due to the temporary shelving of expansion plans; however, the overall growth in land and sea based farmed output will still more than compensate for the cyclical downturns in the lobster and conch catch.

The outlook for the secondary sector includes the expected decline in citrus juice processing and a contraction in tourist oriented construction projects occurring alongside a robust 30% expansion in the utilities. The latter reflects an increase in diesel generation capacity and the coming on stream during the latter part of the year of the co-generation plant.

Almost all tertiary sector activities are likely to decelerate resulting in a fall in sectoral growth from 2.8% to about 1.5%. The main dampeners will be distributive trade and hotel and restaurant activities, which are sensitive to declines in imports and stay-over tourist arrivals, as well as a slowdown in cross border trade in the CFZ. Transport and communication activities should continue to grow, but at a slower pace, as the three year cellular expansion/upgrade programme winds down early in the year. Real estate, renting and business activities should also see a fall in growth to 1.0% due to the continued instability in the international financial markets and economic recession in the major developed economies.

The general price level will be favourably affected by low international prices for fuel, which will reduce acquisition costs and lower fuel prices at the pump. On the other hand, international food costs may still remain relatively high if agricultural lands continue to be diverted into the production of grains for bio-fuels. The overall impact of these movements should yield an average, annual increase in the consumer price index of at least 3.0%.

International & Regional Developments

Global growth decelerated to an estimated 2.5% in a year that was marked by steep crude oil price increases and the continuing meltdown of the US sub-prime mortgage market that eventually developed into a full fledged global financial crisis in the fourth quarter. As the crisis deepened, consumer confidence and demand plummeted, and unemployment rates progressively increased in major developed countries notwithstanding across the board loosening of monetary policy in an effort to shore up tottering financial institutions and maintain the free flow of credit. In addition to lowering interest rates, various bail-out packages were rolled out in an effort to restore stability by injecting equity and liquidity into the financial institutions at the heart of the turmoil.While booming economies such as China and India continued to grow robustly, these advances were jeopardized by the economic downturn in their major trading partners. The outlook for 2009 is for slackening growth and actual contractions in some of the major economies that does not bode well for the developing areas of the world.

US economic growth decelerated to 1.3% in 2008 with the collapse of its sub-prime mortgage market contributing to the bankruptcy of such major investment firms as Bear Stearns and Lehman Brothers as well as the substantial weakening of other major players in its financial system. Plunging stock market prices decimated wealth that had been built up over an extended period and reverberated throughout the system with an increase in bankruptcies, drying up of credit and general reduction in investment and consumption. This toxic combination sent the economy into recession with two consecutive quarters of negative growth being recorded. As job losses mounted, the unemployment rate rose to 5.8% with signs of a likely continuation in this negative trend over the next twelve months. Inflation also rose from 2.9% to 4.6% partly due to record high oil prices that peaked at over US$140 per barrel in July. Responding to the crisis in credit and confidence, the US government began injecting substantial sums into the financial system via the Troubled Assets Relief Programme, an initiative that had limited short term impact, notwithstanding Federal Reserve support in the form of extensive monetary injections and progressively lower interest rates. One immediate result of these measures was a weakening of the dollar against the Euro and Yen that was manifested in a decline in imports and fall in the external current account deficit from 5.3% to 4.9% of GDP.

Growth in the **United Kingdom** slowed significantly (from 3.0% to 0.7%) as its financial system was dealt a series of hard blows stemming from the US financial and sub prime mortgage crises. Many of the major investment houses were heavy investors in Wall Street and deeply exposed when the derivatives market began imploding. The spread effects were shown in slowing growth of the manufacturing, construction and

Table 2: Selected Indicators for Some OECD and Newly Industrialized Countries

Country	GDP Growth Rate (%)		Inflation Rate (%)		Current a/c Ratio (%)		Unemployment Rate (%)	
	2007	2008	2007	2008	2007	2008	2007	2008
United States	2.0	1.3	2.9	4.6	-5.3	-4.9	4.6	5.8
United Kingdom	3.0	0.7	2.1	3.7	-3.8	-1.9	5.3	3.1
Euro Area	2.6	1.3	2.0	3.4	0.3	-0.4	7.5	7.5
Japan	2.4	-0.3	0.3	1.6	+4.8	+3.8	3.9	4.1
China	13.0	9.0	6.9	5.9	+9.7	+10.5	4.0	4.2
Republic of China	5.7	1.9	1.8	3.5	+7.7	+5.8	3.9	4.1

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

services sectors while inflation rose to 3.7% as the Bank of England lowered its benchmark interest rates to an unprecedented 1.0% in an attempt to restore life into the ailing economy. Notwithstanding the economic slowdown in the latter part of the year, the unemployment rate rose only slightly from 2.7% to 2.8%. Apparently benefiting from the drop in prices of primary commodities, the annual external current account deficit fell to 1.9% of GDP as exports expanded by 2.4% and imports grew by a marginal 0.2%.

Growth in the **Euro Area** also declined from 2.6% to 1.3% with private consumption and investment slowing significantly due to the fall in external demand and severe disruption in banking and financial markets. In the face of this, unemployment was reported to remain steady at 7.5% while inflation rose from 2.0% to a projected 3.4% due to the spike in oil prices earlier in the year. The external current account position deteriorated, swinging from a surplus of 0.3% to a deficit measuring 0.4% of GDP with imports and exports recording similar percentage declines.

The slowing world economic momentum had an inevitable impact on **China,** which has been focusing on exports to drive its domestic economy. GDP growth was however still robust at 9.0% (down from 13.0%) with across the board increases in the primary, secondary and tertiary sectors of 5.5%, 9.3% and 9.5%, respectively. Food prices surged by 14.3%, driving up inflation to 5.9%, while unemployment marginally increased by 0.2% to reach 4.2%. Even with external demand slowing in the latter part of the year, the trade surplus increased by 11.0% during the year bringing the external current account surplus to an estimated 10.5% of GDP for 2008.

Japan's reliance on trade was also highlighted with negative GDP growth of 0.3% being recorded against the backdrop of world economic deceleration and decreased international demand for its goods. The latter was exacerbated by the strength of the Yen which appreciated against most of the world's major currencies. The external current account surplus deteriorated from

4.8% to 3.8% of GDP while inflation and unemployment rose modestly from 0.1% and 3.8%, respectively, to an estimated 1.4% and 4.0% in 2008.

A fall-off in the rate of growth in exports was a significant contributor to a plunge in the **Republic of China/Taiwan's** economic growth from 5.7% in 2007 to 1.9% in 2008 as well as the reduction in its external current account surplus from 7.7% of GDP to an estimated 5.8% of GDP. The country's inflation rate rose to 3.5% due to rising food and commodity prices while unemployment increased marginally from 3.9% to 4.1% as the economy was formally declared to be in recession in the latter part of the year.

Caribbean

While growth in the Caribbean slowed to 2.4%, price levels were pushed up by escalating prices for food and petroleum. High import prices prompted governments to implement counter measures that included tax reductions on selected consumer items and suspension of specific import duties. Trade and external current account positions deteriorated in tandem with the unfavourable shift in the terms of trade and many of these economies continued to be burdened by high debt ranging from 112% of GDP in Jamaica to an average of 94% in the Organisation of Eastern Caribbean States (OECS). The downturn in the global economy is being manifested regionally in decreased tourism and related industries, and this is expected to constrain growth in the short and medium terms. Employment levels have already been affected by the fall in tourism with the potential for further job losses due to the cancellation and slow down of public and private sector construction projects. While the impact on remittances to the region is expected to be negative, the size of the reduction is uncertain. In other notable developments, the regional integration process received a boost as Trinidad & Tobago signed a memorandum of understanding with Grenada, St. Lucia and St. Vincent and the Grenadines agreeing to create an economic union for 2011 and a

Table 3: Selected Indicators for Some Caribbean Countries

Country	GDP Growth Rate%		Inflation Rate (%)		Unemployment Rate (%)		International Reserves US$mn	
	2007	2008	2007	2008	2007	2008	2007	2008
Barbados	3.3	0.7	4.0	8.1	7.4	8.4 [2]	774	678
Belize	1.2	2.1	2.3	6.4	8.5	8.2	109	166
Guyana	5.4	3.1	14.1	6.4	n.a.	n.a.	313	352 [2]
Jamaica	1.2	0.3 [2]	8.5	16.9	9.9	11.1	1,878	1,773
OECS	5.3	3.1	6.1	n.a.	n.a.	n.a.	2,059	n.a.
Trinidad & Tobago	5.5	3.5	7.9	12.0	4.9	4.2 [1]	7,038	8,520

Sources: ECLAC, Central Bank of Barbados, Central Bank of Guyana, Central Bank of Jamaica, Central Bank of Trinidad & Tobago, Eastern Caribbean Central Bank
n.a. = not available
(1) as at the end of second quarter of 2008.
(2) as at the end of third quarter 2008

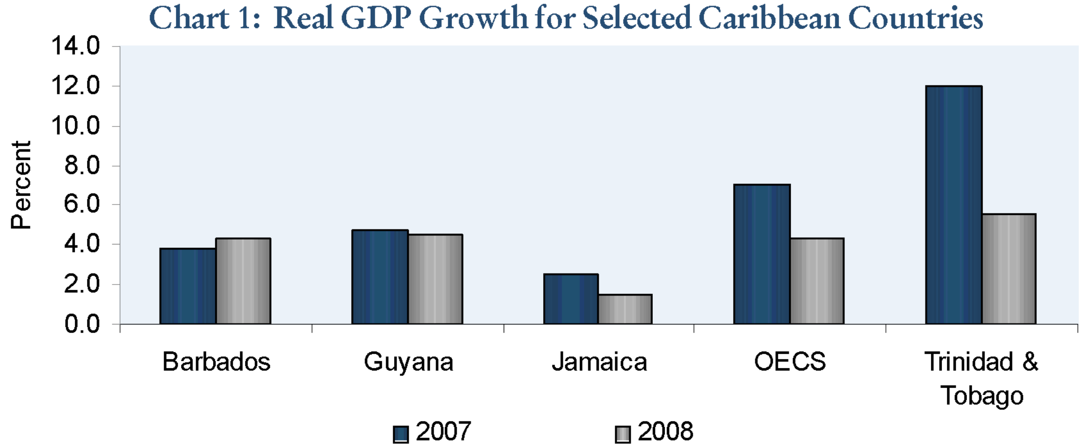
political union for 2013.

Declining tourism activity and higher commodity prices caused a slowing in **Barbados'** GDP growth to 0.7%, as a 1.2% growth in the non-traded sector slightly outweighed a 1.0% decrease in the traded sector. Unemployment increased to 8.4% at the end of the third quarter as labour demand scaled down in utilities, construction and merchandise trade. The price level was up by 8.1% at the end of the year due to higher prices of food, fuel, electricity, housing and household operations. The accumulated fiscal deficit grew to 4.5% of GDP, as the increase in fiscal revenue was outmatched by a 12.8% rise in government expenditure. The external current account deficit almost doubled in response to higher import expenditure and sluggish travel receipts. Concurrently, the surplus on capital and financial accounts diminished, causing a contraction of US$96.0mn in net international reserves.

Guyana's growth slowed to 3.1%, with the economy being driven by mining, services and construction while inflation rose by an estimated 6.4%. In response to declining terms of trade, higher import demand and the increasing cost of services, the external trade and current account deficits deteriorated over the year. However, international reserves were kept stable due to improvements in the capital and financial account, attributable mainly to official capital flows and direct foreign investment in telecommunications, mining and forestry. During the year, the government's fiscal primary balance worsened as a 4.9% increase in revenue was eclipsed by increases in expenditure of 24.0%. By mid-2008, the national debt stock was equivalent to 96.0% of GDP, as the sale of new treasury bonds, increased disbursements from multi-lateral organizations and bilateral inflows under the PETROCARIBE Agreement overshadowed debt relief under the Heavily Indebted Poor Countries and Multilateral Debt Relief Initiatives.

The **Jamaican** government focused its efforts on stabilizing the economy, controlling

Chart 1: Real GDP Growth for Selected Caribbean Countries



inflationary pressures and keeping the exchange rate stable during the year. GDP grew by only 0.3% during the first three quarters with agriculture, forestry and fishing being negatively impacted by bad weather, fire and a fall in input usage. Activity was weak in transport, storage/communications, manufacturing and construction, while the services sector performed well with an estimated 6.0% rise in tourist arrivals. Surging fuel and food prices pushed annual inflation up by 16.9%, prompting the Bank of Jamaica to increase interest rates by 50 basis points to 14%. The trade deficit expanded significantly, pushed up by higher expenditures on fuel, food and chemicals. The external current account deficit consequently measured 20.0% of GDP for the first six months with a capital and financial account surplus (derived mostly from robust foreign direct investment) being sufficient to cover this deficit as well as adding to official international reserves. These gains were somewhat depleted later on as the Bank of Jamaica was impelled to intervene in the foreign exchange market to support the value of the Jamaican dollar.

Growth in the **OECS** decelerated from 5.3% to 3.1%.Value added from tourism and construction was estimated to rise by 5.0% in contrast to only a marginal increase in agriculture (which has been affected by hurricane) and manufacturing. The rise in consumer prices ranged from 5.0% to 9.5% and this underpinned a variety of measures including public sector wage increases in Anguilla, St. Kitts & Nevis and St. Vincent & the Grenadines, the elimination of VAT and the suspension of the common external tariff in Antigua, Dominica, Grenada and St. Lucia. In the middle of the year, the debt to GDP ratio stood at 94%, with national debt surpassing 100% of GDP in Dominica, Grenada and St. Kitts & Nevis and exceeding 70% of GDP in Antigua & Barbuda, St. Lucia and St. Vincent & the Grenadines. Monetary policy remained unchanged with the discount and the interbank rates set at 6.5% and 4.5%, respectively. Higher expenditure on imports pushed the external current account deficit up to 4.1% of GDP and the overall balance of payments also registered a deficit due to declines in financial inflows from foreign direct investment associated with tourism.

As in the rest of the Caribbean, economic activity decelerated in **Trinidad & Tobago** with GDP growth falling from 5.5% to an estimated 3.5% in 2008. While there was a slowing in the energy sector, non-energy activity including construction, manufacturing, tourism, wholesale/retail trade and financial services accelerated. Annual inflation rose to 12.0% pressured upward by escalating food prices. Central Government's surplus stood at 6.5% of GDP for the 2007/08 fiscal year, with excess fiscal collections above the forecasted budget being transferred to the Patrimonial Fund and the Infrastructure Development Fund. The previous years of strong fiscal out-turns kept the national debt to GDP ratio at 28.0% and the external debt at 6% of GDP. On the external front, the surplus on the trade and current accounts of the balance of payments measured 24.0% and 22.0% of GDP, respectively, and external reserves consequently rose to US$8.5bn (equivalent to 11 months of import cover).

Mexico and Central America

A weakening in domestic demand combined with a slow-down in exports in the second half of the year in reponse to the US recession caused **Mexico's** GDP growth to fall from 3.2% to 1.8%. The growth sectors were agriculture and basic services while industrial activity weakened with a contraction in mining, lower growth in manufacturing and a fall in construction. The unemployment rate (up to September) remained at the 4.0% of the previous year, while inflation hovered around 6.0% due to higher prices for food, fuel, electricity and housing. To counter the effects of the global slowdown, a government program to stimulate growth and employment was launched in October. Private consumption nonetheless remained subdued throughout the year in response to the tightening of monetary policy in the first semester and a 3.7% decline in family remittances later on. While imports rose by 15.4% partly due to high prices of cereals, machinery and electrical equipment, exports declined by 1.6%, so the trade deficit widened to US$8.4bn at the end of September.

Indications are that **Central American** economies expanded by 4.6% in 2008, marking the sixth consecutive year of growth that has been spurred by exports and private consumption and supported by inflows of family remittances. Higher prices for petroleum and food drove up inflation, while the unemployment rate held steady with the continuation of various private and public sector projects. Notwithstanding measures taken to mitigate inflationary pressures and the implementation of programs to stimulate economic growth, the average fiscal deficit was a modest 0.3% of GDP. On the external front, inflows of family remittances and a 9.4% increase in tourism receipts partially offset a larger trade deficit and lowered the external current account deficit to 0.6% of GDP.

Growth in the **Guatemalan** economy decelerated from 5.8% to 3.3% as a contraction in family remittance inflows caused a softening in private consumption. All sectors grew during the year except for construction. While the transport, communications and banking sectors reported double digit growth, and value added from agriculture and manufacturing was up by 2.0%, construction activities fell moderately due to a delay in private projects and public infrastructure works. Inflation rose to 10.9% due to higher prices of fuel and food, while the unemployment rate was estimated at 5.5%. Notwithstanding a fall in capital expenditures, the central government recorded a modest deficit of 1.2% of GDP as the economic slowdown contributed to a

3.5% fall in revenues. On the external side, the trade deficit measured 16.0% of GDP but this was ameliorated by higher current transfer receipts that narrowed the external current account deficit to 5.0% of GDP. Strong capital inflows financed this deficit and boosted international reserves.

The **Honduran** economy grew by 3.8% as compared to 6.3% in 2007. Growth drivers included private consumption, which was strongly supported by family remittances, construction, and a 5.5% surge in agriculture. To deal with the international financial crisis, the monetary authority reduced the reserve requirement from 12.0% to 10.0% in October, thereby injecting about US$95.0mn into the national banking system. This improved the availability of credit and provided resources to alleviate flood damages. Annual inflation rose from 8.9% to 12.0%, boosted by higher prices of petroleum and basic food items such as corn and beans. An increase in taxation rates in September and a reduction of subsidies on fuel and electricity reduced the fiscal deficit from 2.9% to 1.9% of GDP. While exports expanded by 21.0%, fuelled by favourable prices for traditional exports as well as "maquila" goods, imports grew even faster by 25.0%. At 29.0% of GDP, the trade deficit was only partially offset by family remittances that amounted to 8.0% of GDP and inflows on the capital account. The external current account deficit consequently rose to 12.0% of GDP, leading to a draw down on international reserves of some US$160.0mn.

In **El Salvador**, GDP grew by 3.0%, approximately one and a half points below the previous year. Favorable prices for some traditional exports stimulated an 8.4% increase in the agricultural sector, while the construction, manufacturing and mining sectors expanded by 1.7%, 3.6% and 4.5%, respectively. On the other hand, growth in public investment didn't compensate for a 0.9% reduction in private investment caused by the global financial uncertainty and US economic deceleration. The government's fiscal deficit rose to 0.6% of GDP with revenues being boosted by improved tax administration, but with expenditures also rising because of subsidies for electricity, water, liquid gas and public transportation. Inflation rose from 4.9% to 5.3% notwithstanding the various measures taken to soften price increases for food and fuel. Although decelerating, family remittances (amounting to 17.5% of GDP) partly offset the negative effect of higher international prices for petroleum and food, so the external current account deficit rose by a modest 0.5 percentage points to 6.0% of GDP. A substantial surplus on the capital and financial account stemming from growth in foreign direct investment and the restructuring of the Euro-Bonds covered the deficit and raised net international reserves to US$2.3bn, equivalent to 2.5 months of imports of goods and services.

Economic activity in **Nicaragua** decelerated

Table 4: Selected Indicators for Mexico and Central America

Country	GDP Growth Rate (%)		Inflation Rate (%)		Deficit/GDP Ratio (%)		Net International Reserves US$bn	
	2007	2008	2007	2008	2007	2008	2007	2008
Mexico	3.2	1.8	4.0	6.3	0.0	0.0	87.2	88.7
Guatemala	5.7	3.3	8.8	10.9	-1.5	-1.2	4.3	4.7
Honduras	6.3	3.8	8.9	12.0	-2.9	-1.9	2.7	2.5
El Salvador	4.7	3.0	4.9	5.3	-0.2	-0.6	2.2	2.4
Nicaragua	3.8	3.0	16.2	15.2	-0.6	- 0.8	1.1	1.1
Costa Rica	7.3	3.3	10.8	15.0	0.6	-0.5	4.1	3.7
Panama	11.5	9.2	6.4	10.0	1.2	-1.0	1.9	1.8

Source: ECLAC

to 3.0% with private consumption falling in the face of higher prices for food, fuel and raw materials while public sector expansion boosted the overall level of investment. Growth in agriculture was up (from 1.4% in 2007 to 7.0% in 2008) due to the recovery from hurricane damages sustained in 2007 and better prices for the main export products. The government's operations yielded a fiscal deficit of 0.8% of GDP as expenditures outpaced revenue growth. Contributing to the growth of the former were subsidies for electricity and food aimed at easing inflationary pressures. These efforts were reinforced by the fall in international prices during the latter part of the year and the inflation rate consequently fell from 16.2% in 2007 to 15.2%. The trade deficit worsened with the situation being exacerbated by the depreciation of the exchange rate and the external current account deficit consequently expanded from 18.3% in 2007 to 26.0% in 2008.

Increases in the international price of food and fuel as well as the deceleration of the global economy caused growth in **Costa Rica** to fall from 7.3% to 3.3%. Gross investment continued to expand, albeit at a slower pace with the most dynamic sectors being construction, transport & communication and financial services. Unemployment increased to 5.0%, while annual inflation rose to around 15.0%, which was in excess of the central bank's target of 9.0%. The government's fiscal deficit was around 0.6% of GDP and included higher spending on infrastructure and on social assistance to alleviate the rise in prices during the year. On the external side, higher fuel prices caused the growth in the value of imports to outpace the increase in export earnings and inflows of family remittances. The external current account deficit therefore expanded from 6.2% of GDP to 8.0% of GDP with the gap being partly financed by foreign direct investment inflows that rose by 8.0% to some US$2.0bn.

Panama registered growth of 9.2%, its fifth consecutive year of growth above 7.0% while its unemployment rate fell from 6.4% to 5.6%. The principal economic growth drivers were the construction, commerce and transport sectors. Significant private sector investments into residential projects boosted growth in construction to approximately 22.7% during the year. In September, the inflation rate peaked at 10.0%, the highest in two decades, before beginning to subside in October with the decrease in fuel prices. The fiscal deficit was maintained below 1.0% of GDP even with measures taken to absorb the increases in the cost of living. In the external sector, a significant rise in the value of imports contributed to an external current account deficit of $2.1bn (10.0% of GDP). Despite the world economic slowdown, the tourism sector increased by 12.0%, while the financial account yielded a surplus of US$1.8bn.

Monetary & Financial Developments

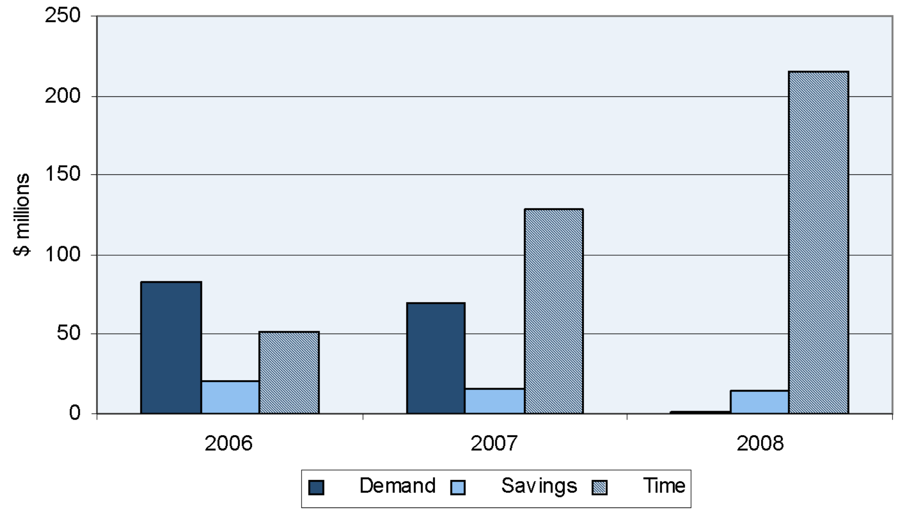
Belize's broad measure of money supply increased by 13.3% in 2008 (down slightly from 15.4% in 2007) with deposits continuing to grow robustly as increases in credit and foreign direct investment inflows for construction, petroleum exploration and real estate underpinned an acceleration of economic activity. Most of the expansion was in the first semester, a period that included the general elections, the peak of the tourist season and heightened inflows for construction of tourist condominiums. After a slight third quarter contraction coinciding with the seasonal tourism downturn, monetary growth surged again as the start of the tourism high season boosted the level of foreign inflows.

Among the notable developments was a 24.4% expansion in time deposits, of which an unusual 40% of the increase was attributable to holdings by individuals, some of whom were associated with various real estate transactions. Significant boosts also came from the shifting by a major firm of a substantial sum from demand to time deposits and new deposits by the credit unions and Belize Social Security Board (BSSB). The latter reflected BSSB's decision to discontinue sterilizing its monthly surpluses with the Central Bank in an effort to get higher returns. After growing by 14.0% in the previous year, narrow money edged up by a marginal 0.3% as an increase in savings/checking deposits was largely offset by a decline in demand deposits. Currency held by the public also grew by a minimal 0.3% in comparison to the 12.1% expansion of the previous year.

Notwithstanding a deterioration in the external current account, the banking system's net foreign asset position improved by

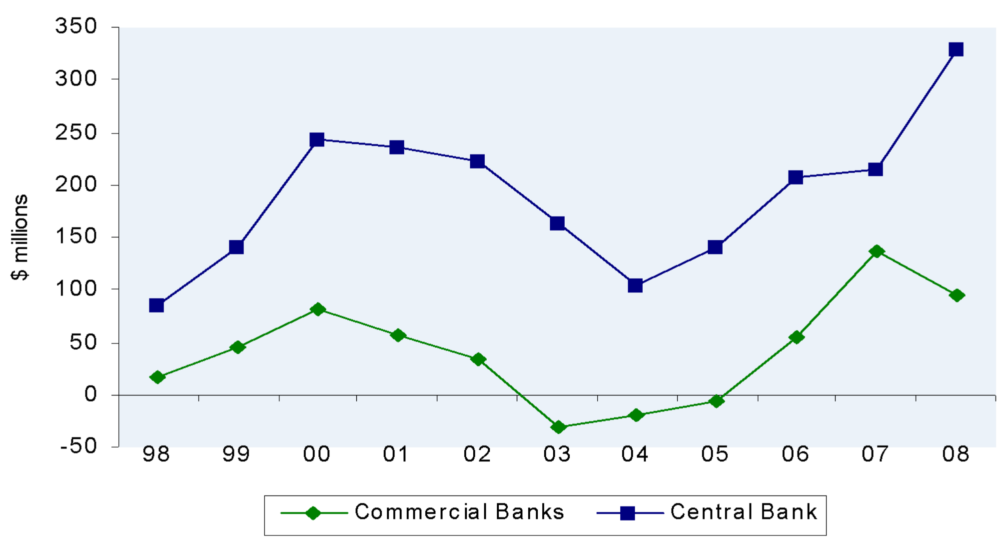
Chart 2: Ratio of M2 to GDP

Chart 3: Growth in Commercial Bank Deposits



21.0%, as buoyant foreign direct investments and loan disbursements to the private sector coincided with a reduction in public sector external debt payments. The Central Bank increased its foreign assets by $115.1mn with inflows rising by 8.8% to $385.6mn and outflows amounting to $270.5mn. Commercial banks accounted for approximately one-third of the Central Bank's foreign exchange purchases as they stepped up sales to meet their statutory cash reserve requirements. Grants (mostly from ROC/ Taiwan), petroleum royalty/tax payments and sugar export receipts accounted for another 14.0%, 13.7% and 13.4%, respectively. The balance came from the sale of Venezuelan fuel, loan disbursements, interest received from investments and revaluation gains. Outflows were $75.2mn lower than the previous year and reflected the cutback in

Chart 4: Annual Change in Net Foreign Assets of the Banking System

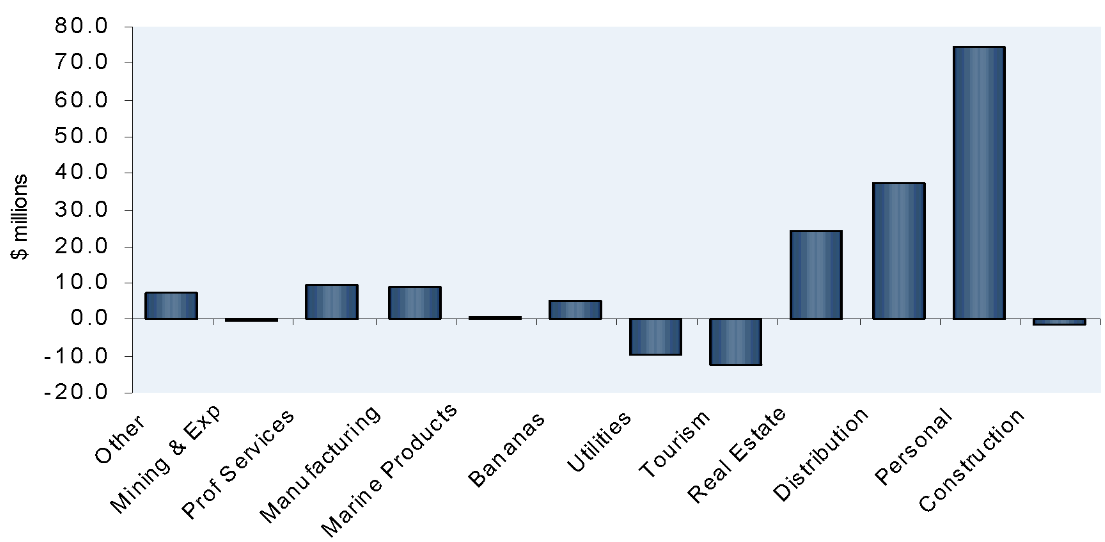


government's foreign exchange requirements for debt servicing subsequent to the 2007 debt restructuring. The government accounted for 68.0% of outflows with the remainder being used to cover Venezuelan fuel imports, sales to statutory bodies and commercial banks, bilateral payments and revaluation losses.

While the Central Bank's position improved, the commercial banks experienced a net reduction that reflected a 108.2% rise in their short term foreign liabilities. This contrasted with the previous year when short term foreign liabilities fell by 46.5%. A notable spurt in external borrowing took place in the first quarter as one bank replenished its foreign holdings after making very substantial dividend payments to its foreign shareholders. Even so, the bulk of the borrowing actually occurred in the second half of the year when the banks more than doubled their foreign liabilities to help finance import payments and significant one-off cash transfers that included the return of the Venezuelan housing grant to government. The surge in their liabilities, coupled with net sales to the Central Bank, caused the commercial banks' net foreign asset position to contract by 29.9%, the first decline in five years.

Growth in net domestic credit was private sector driven, since, even with a significant expansion in its Central Bank overdraft in the first quarter due to pre-election spending and external debt payments, the government was able to reduce its net borrowing by 13.3% facilitated by substantial grant receipts and higher revenue collections as the year progressed. The postponement of budgeted capital expenditure until 2009 also contributed to the reduction. For the third consecutive year, credit to statutory bodies fell, this time by $2.9mn.

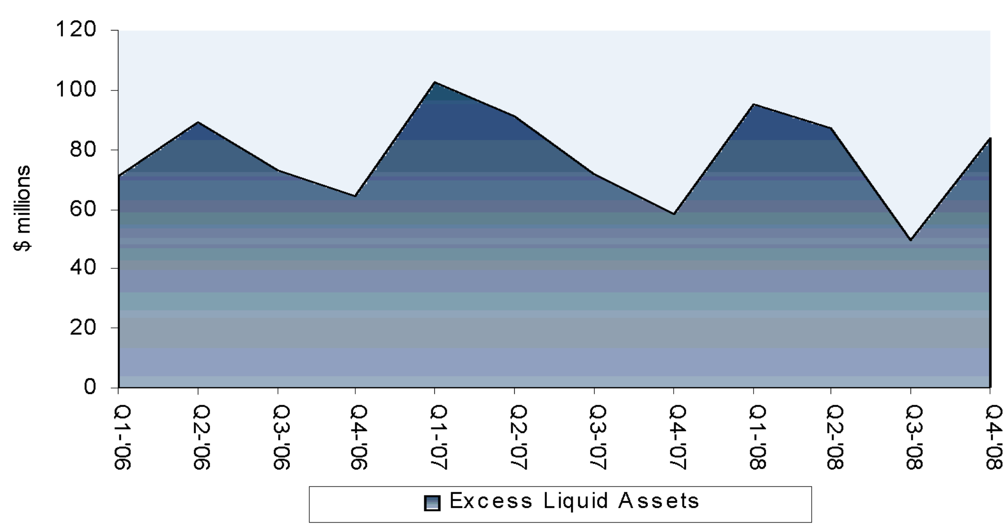
Chart 5: Annual Change in Commerical Banks' Loan Distribution



Loans to the private sector were up by 10.6% (compared to 16.1% in 2007), the size of the deceleration being partly due to the clearing of the $40.0mn Universal Health Services (UHS) debt in the first quarter. If the UHS loan had not been paid off, the annual growth in commercial bank private sector loans would measure 13.1%. Accounting for approximately 50% of the increase, personal loans for miscellaneous purposes rose by a very robust 19.9%. Loans to the tertiary sector rose by 9.3% as financing for businesses engaged in distribution, real estate and transportation activities outweighed net repayments from entities in tourism. In the primary sector, producers of sugarcane, banana and grains were the main beneficiaries of the 7.3% increase. Meanwhile, the retirement of the UHS debt and repayments by utilities offset new lending for beer and soft drinks manufacturing and resulted in a 0.6% contraction in credit to the secondary sector.

During the entire period reviewed, the Central Bank maintained commercial bank statutory reserve requirements at the heightened levels set two years prior as part of the policy framework aimed at restraining credit expansion and facilitating the replenishment of the official foreign reserves. Against this, bank liquidity behaved as expected with consolidated statutory reserves exceeding requirements by an average of 22.0% in the first six months. The seasonal third quarter dip was however greater, as in addition to the customary acceleration in loans, portfolio maturities were lengthened by the purchase of longer term Treasury notes from the Central Bank. This was reversed in the fourth quarter as deposit liabilities were boosted by inflows from tourism and repatriation of foreign funds by residents who may have been motivated by the financial turmoil and declining international interest rates. With lending in the final quarter also being significantly lower

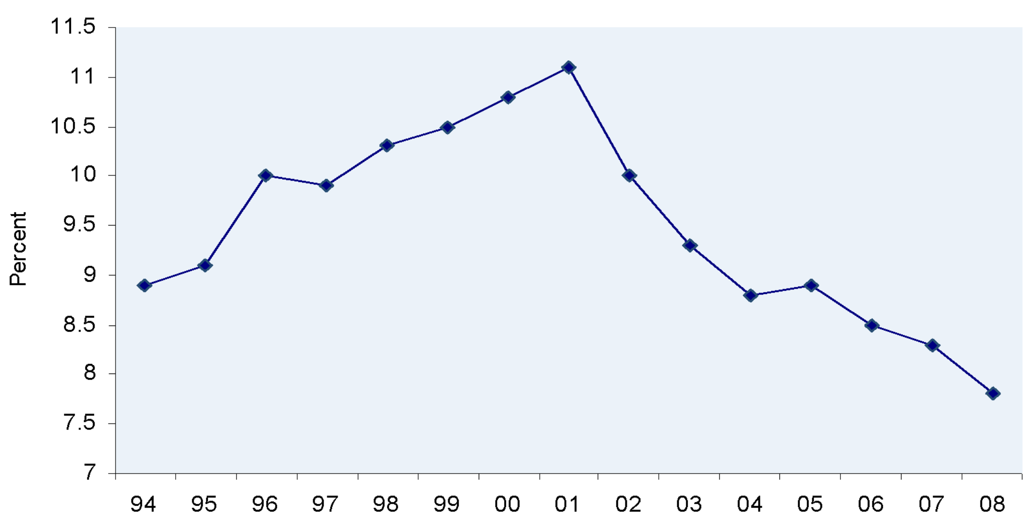
Chart 6 : Quarterly Change in Excess Liquidity



than in the same period of the two previous years, liquidity spurted upward ending the year some 43.6% above the position at the beginning of the year. Flush with liquidity, the commercial banks demand for Treasury bills was significantly higher in 2008 with most of their acquisitions occurring in the latter half, particularly in the fourth quarter. Primary liquidity was also maintained at comfortable levels with monthly excess cash reserves averaging 10.8% in the first semester and 7.4% in the second.

Domestic interest rates were relatively stable (compared to those in the developed countries) with a 38 basis points rise in the weighted average deposit rate reflecting a series of marginal increases in each of the first eleven months. These were mainly due to frictions caused by an uneven distribution of liquidity. There was greater volatility in the weighted average lending rate with seven months of downward movement and five months of increases yielding a net decline of 20 basis points for the year. The narrowing of the commercial banks' spread to 7.75% marked the seventh year of a downward trend that started when an additional commercial bank began operations in 2001, a period which follows an eleven year stretch in which spreads were consistently increasing.

Chart 7: Commercial Banks' Weighted Average Interest Rate Spread



Domestic Production, Prices & Employment

Production

GDP growth accelerated slightly to 2.1% principally due to a surge in construction activity and petroleum extraction. The unemployment rate was estimated to be 8.2% in May 2008, significantly below the 12.1% in September of the previous year, when activity is generally at a seasonal low. Meanwhile, surging prices for fuel and food (both imported and locally produced) caused a heightening of inflationary pressures that was shown in an average annual increase of 6.4% in the Consumer Price Index (CPI) as compared to 2.3% in 2007.

Activity in 'Agriculture, Hunting and Forestry' declined as a strong rally in citrus and banana production could not offset grain losses from two floods and lower outputs of sugarcane and papaya. Fishing was down by 7.4% as a 17.9% decline in farmed shrimp production eclipsed a significant expansion in the output of marine and land based fish farms.

The sharpest growth was in the secondary sector, which was led by a 35.2% expansion in construction activities largely driven by the funneling of foreign investments into condominium developments for tourists. A significant part of the growth was also due to the classification of petroleum extraction in manufacturing. The 13.0% rise in the latter reflected a 23.5% increase in petroleum production that more than compensated for the closure of the Williamson garment

Table 5: Annual Percent Change in Selected Indicators

	2006	2007	2008
GDP at Current Market Prices	8.8	5.3	8.6
Real GDP (2000 prices)	4.7	1.2	2.1
Primary Activities	**-6.2**	**-19.8**	**-9.6**
of which: Agriculture, Hunting & Forestry	-0.8	-1.4	-10.2
Fishing	-15.5	-57.0	-7.4
Secondary Activities	**25.3**	**2.3**	**14.4**
of which: Construction	-2.0	-3.0	35.2
Electricity and Water	41.4	2.4	2.8
Services	**2.5**	**5.4**	**2.9**
of which: Restaurant & Hotel	-0.8	5.2	-3.0
Trade	1.3	1.6	3.7
Public Administration	-5.1	4.7	2.5
Transport and Communication	3.5	13.1	4.9
Consumer Price Index			
Average	4.2	2.3	6.4
End of period	3.0	4.1	4.4

Source: Statistical Institute of Belize

factory, which used to produce for the export market. Hydroelectricity was significantly boosted by heavy rains in the third quarter and accounted for a modest 2.8% rise in the utilities.

In services, a 4.9% increase in transport and communication activities reflected the upgrading and expansion of the cellular network and services. Meanwhile, an increase in the Commercial Free Zone (CFZ) cross border trade as well as an import surge linked to the capital requirements for large investment projects contributed to a 3.7% expansion in wholesale and retail transactions. Government services expanded moderately with spending increasing in the latter months of the year. In contrast to the otherwise positive out-turn by services, 'Hotels and Restaurants' declined by 3.0% as arrivals by stay-over and cruise ship tourists fell in response to the international financial crisis and the global economic downturn.

Agriculture

Sugarcane

With the crop suffering the residual effects of damages inflicted by Hurricane Dean in 2007, floods caused by Tropical Storm Arthur, and extensive froghopper infestation, sugarcane deliveries fell by 18.4% to 980,114 long tons, the lowest since 2005. Farmer deliveries were down by 20.7% to 915,760 long tons, while those from the Belize Sugar Industries' (BSI) cane growing project increased by 37.1% due in part to a modest acreage expansion. Persistently high levels of mud in the sugarcane and a reduction in crop quality due to the impact of the hurricane during the critical growing period caused a slight worsening in the cane/sugar ratio relative to the previous crop year.

The average final price paid to farmers edged up by 1.8% to $55.20 per long ton, mostly due to exchange rate gains from the Euro denominated average unit price negotiated on the futures market and the decision by the processor to ignore the lower priced CARICOM and US markets and sell virtually all its limited sugar supply to the EU market where the highest prices are realized.

Citrus

Expectations for the citrus crop were exceeded with deliveries rising by 5.3% to 7.4mn boxes relative to the modest 1.0% increase that had been projected for the 2007/2008 crop year. Approximately 96.5% of the citrus crop was processed at the factory, 2.9% was rejected and 0.6% was exported as fresh fruit. Deliveries of orange to the factory were up by 8.4% while those

Table 6: Sugarcane Deliveries

	2005/06	2006/07	2007/08
Deliveries to BSI (long tons)	1,173,469	1,200,429	980,114

Source: Belize Sugar Industries Ltd.

Table 7: Citrus Fruit Deliveries

	2005/06	2006/07	2007/08
Deliveries ('000 boxes)	6,619	6,726	7,101
Oranges	4,931	5,221	5,660
Grapefruits	1,688	1,505	1,441

Source: Citrus Grow ers Association

of grapefruit were down by 4.3%. The boost in the orange crop resulted from sustained annual efforts to replace dead trees and improved grove management as the Citrus Growers Association stepped up its extension services to several communities. The decline in grapefruit, on the other hand, was triggered by significantly lower crop prices that discouraged harvesting.

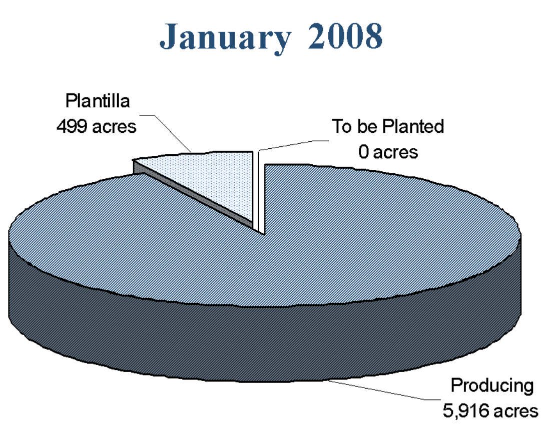
With international prices for orange juice in Belize's key markets falling due to the rebound in US production, declining per capita consumption of orange juice by US consumers and higher Brazilian inventories at the start of the season, the final price paid to farmers for the 2007/2008 orange crop was down by 35.6% to $1.41 per pound solid (pps). Grapefruit prices likewise fell by 38.2% to $0.89 pps as the US entered the season with higher juice inventories.

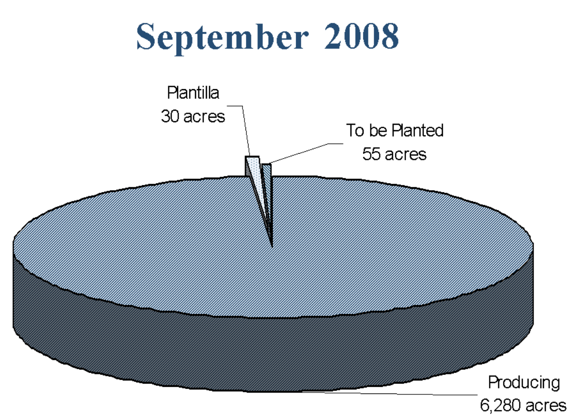
Banana

Good weather and improved agronomic practices helped to boost banana production by 30.8% to 4.4mn boxes with yields increasing by 18.8% to 639 boxes per acre, as farmers took advantage of an increased market size with the advent of Dole as a new buyer.

The industry has maintained banana acreage relatively constant at around 6,000 acres over the past four years, with any increases in production expected to come from improvements in field productivity rather than acreage expansion. At the start of the year, 5,916 acres contained harvestable trees

Chart 8: Banana Acreage





and 499 acres were under plantilla (young, non-harvestable trees). By September, the acreage under cultivation had increased by 6.2% to 6,280 acres, while the area under plantilla decreased to 55 acres.

Papaya

The papaya industry in the northern districts was still in recovery mode after damages sustained from the hurricane in the latter part of 2007. At the end of 2008, the total area under production was 1,413 acres, which was higher than the December 2007 figure of 1,216 acres, but still well below pre-hurricane cultivation of 1,910 acres. Recovery has been slowest amongst the small, more financially vulnerable farms. Approximately 58.1% of the total area cultivated held mature trees including 721 acres of large papayas and 100 acres devoted to the smaller solo variety. Groves remained concentrated in the Corozal district since the Orange Walk district accounted for just 75 acres. Approximately seven acres in the Belize district were wiped out in the October floods.

Other Agricultural Production

The October floods also caused a significant drop in production of basic grains. The notable exception was sorghum, output of which rose by 55.9% to 23.6mn pounds as farmers substituted it for yellow corn and soybean thereby increasing the area under its cultivation from 7,116 to 13,325 acres. Annual production of corn, the grain hardest hit by the floods, declined by 17.7% to 80.0mn lbs, with harvested acreage and average yield per acre down by 10.9% and 7.9%, respectively. Lower yields and acreage due to the adverse weather conditions also contributed to a 35.0% reduction in rice output, while that of soybean plummeted by 93.5% to 0.05mn pounds as acreage shrank from 486 to 45 acres with the switch by farmers to sorghum. Bean production registered a 1.0% decline to 15.4mn lbs.

Production of vegetables, root crops and plantains was mixed. While output of onions, squash, okra, sweet pepper, pumpkin, carrots, tomatoes, coco yams and sweet potatoes rose, decreases were recorded for lettuce, cauliflower, celery, cassava, ginger, yam and yampi. Plantain output surged by 143.6% with increases of 13.0% in acreage and a more than doubling in yields.

Notwithstanding some flood loss in small animals, livestock production did well overall. Cattle dressed weight increased by 19.1% to 8.4mn pounds in response to strong, internal demand. Pig dressed weights grew by 10.4% to 19.6mn pounds, while that of poultry declined by 25.9% to 27.8mn pounds as high feed costs prompted processors to grow smaller chickens. An additional problem was presented to the industry by the emergence of poultry Newcastle disease that may have been borne by flood waters from Guatemala. Milk output rose by 7.9% to 6.5mn pounds and egg production also increased by 14.4%. In contrast, honey yields declined by 38.0% to 0.1mn pounds.

Marine Products

Annual marine production fell by 11.4% as a fall-off in farmed shrimp overshadowed a higher conch catch and significant increases in tilapia and cobia.

The shrimp outturn was influenced by falling prices stemming from the US economic downturn, which caused farmers, who were already squeezed by high costs for inputs such as fuel and feed, to shelve their expansion plans. At 12.7mn pounds, shrimp production therefore came in about 17.9% below the amount originally forecasted. The cooperatives also reported a decline in output of whole fish and fish fillet as many producers sold their product directly to local hotels and restaurants.

The conch catch rose by 6.8% to 0.6mn pounds as the population recovered from the damage to their natural habitat caused by Hurricane Dean in August 2007. While lobster output remained stable, wild capture of sea shrimp increased by 35.2%, reflecting a cyclical peak in reproductive patterns. Maturing investments in land and marine based facilities to expand production of farmed tilapia and cobia underpinned an overall production increase of 31.1%.

Manufacturing

Sugar and Molasses

The reduced sugarcane harvest set the stage for a 19.5% decline in sugar production during the 2007/2008 crop year. Apart from the fall in processing throughput, production was also affected by a 3.0% decline in factory time efficiency and the level of extraneous material in the sugarcane, the most significant being mud, which was up by 12.5% over the previous crop year. Efficiency losses translated into a 1.4% increase in the cane/sugar ratio, meaning that 1.4% more sugarcane was required to produce one ton of sugar. In line with the processing volume, molasses production contracted by 14.8%.

Citrus Juices and Pulp

While fruit deliveries for the 2007/2008 crop were up by 5.6%, output of citrus juices rose by an even higher 10.4% due to increases in the average pound solids yield per box of orange and grapefruit of 3.3% and 6.1%, respectively.

Table 8: Sugar and Molasses Production

	2005/06	2006/07	2007/08
Sugar Processed (long tons)	111,323	97,161	78,235
Molasses Processed (long	41,250	47,118	40,204
Performance			
Factory Time Efficiency	91.34	91.19	88.46
Cane Purity (%)	83.95	80.38	80.47
Cane/Sugar Ratio	10.54	12.36	12.53

Source: Belize Sugar Industries Ltd.

Box 1: Economic Impact of 2008 Flood Disasters

As a small open economy with a narrow economic base, Belize is very vulnerable to external shocks, especially those engendered by natural disasters. This vulnerability was highlighted in 2008 when two relatively weak weather systems, Tropical Storm Arthur (June) and Tropical Depression Sixteen (October), caused much devastation and disrupted economic activities. The torrential rains that accompanied both weather systems affected neighboring countries as well as Belize and resulted in two major flood events within one year. All six districts were affected and damage to property, physical infrastructure, various economic sectors and the environment amounted to approximately $100.0mn.

	June	October
Weather system	Tropical Storm Arthur	Tropical Depression 16
Area of Belize affected	Southern region	Southern, Western and Central regions
Number of persons directly affected	5,324	46,390
Ratio of persons affected to total population(%)	1.7	14.4
Total cost of damage(Bz$mn)	58.9	42.9
Total damage to GDP (%)	2.1	1.5

Source: NEMO Preliminary Reports (June 4th and October 20th,29th 2008) and Summary Statements on Tropical Depression Sixteen (January 2009)

The transportation infrastructure was hit hardest with direct losses through damages to bridges, culverts and roadways totaling approximately $37.0mn. According to NEMO's reports (Preliminary Damage Assessment Report, June 4th 2008 and Summary Statements, January 9th, 2009), in excess of 72 roads were damaged, representing a significant portion of Belize's road infrastructure. Housing infrastructure was also impacted as over 1,300 homes were inundated with a total of 173 communities being affected.

Heavy losses were sustained in the agricultural sector with approximately 20,000 harvestable acres of farm lands damaged by flood waters. Citrus was the main crop affected in the June floods, while corn and sugarcane suffered the most in October. Direct agricultural losses totaled $33.0mn, and other indirect economic losses were estimated to exceed $80.0mn. While not as severely affected, the estimated losses of the fishing and tourism industries amounted to roughly $9.0mn and $1.0mn, respectively, with the cottage industries along the Belize River Valley bearing the brunt of the disruptions.

The cumulative impact of the floods which measured almost 4.0% of GDP, and the lingering effects of Hurricane Dean in August 2007 have tested the country's resiliency and highlighted the critical need for further efforts and planning to mitigate the impact of any future disasters.

Virtually all fruit deliveries were used to manufacture orange and grapefruit concentrates, with increases of 13.6% (to 33.4mn ps) and 7.4% (to 5.8mn ps), respectively. Only 0.7mn ps of not-from-concentrate (NFC) juices was produced, a decline of 41.2% that was partly due to the difficulties of securing a profitable export retail market for this product. At 1.7% of total concentrate juice output, freeze concentrate production remained minimal due to its less attractive profit margin and sluggish market demand.

Pulp production was down by 8.4% with mostly orange pulp being produced since

Table 9: Production of Citrus Juices and Pulp

	2005/06	2006/07	2007/08
Production ('000 ps)	35,778	36,054	39,815
Orange Concentrate	29,332	29,414	33,400
Grapefruit Concentrate	6,328	5,392	5,793
Not-from-concentrate (NFC)	117	1,249	734
Production (pounds)			
Pulp	2,509	2,079	1,904

Source: Citrus Products of Belize Ltd.

sales of the grapefruit pulp were temporarily scaled back while quality improvements at the field and factory level were effected.

Other Manufacturing Production

Activity in the rest of the manufacturing sector was rather uneven as lower production of flour, fertilizer and cigarettes coincided with expanded output of beer and soft drinks. Demand for fertilizer was somewhat dampened as prices surged in tandem with the rise in petroleum costs. The result was a 15.5% decline in production. Output of flour fell by 3.9% and, notwithstanding the marked increase in local demand after the excise tax was lowered in mid 2008, cigarette output fell by 6.4% in continuation of a downward trend that started in 2005 when the excise tax was raised. Since 2005, domestic cigarette production has fallen by approximately 40%, with a strong possibility that this is due to an influx of contraband products. In other developments, beer production increased by 8.9%, which may be indicative of some measure of success in the crackdown on contraband trade in beer during the year. Soft drink output grew by 1.6% as it continued on a path of steady annual increase.

Tourism

Preliminary figures from the World Tourism Organization (WTO) indicated that growth in international tourist arrivals decelerated from 6.9% in 2007 to 1.8% in 2008, in the face of substantial oil price hikes, higher travel costs and the economic slowdown in some key markets. While North and Central America experienced a combined growth in arrivals of 3.2% and 7.9%, respectively, the growth in visitors to the Caribbean was slower at 1.2%. Belize did not do as well and recorded a reduction in stay-over visitors for the first time in 12 years with the number falling by 2.8% to 234,706 persons. Some three-quarters of the decline was in visitors from the US, the country's largest market, which has been experiencing the recessionary spinoffs of increasing unemployment, dwindling consumer confidence and more conservative spending patterns.

The number of overnight visitors entering the country through the Phillip Goldson International Airport (PGIA) decreased by 2.9% and arrivals through the land and sea borders were also down by 2.4% and 4.5%, respectively. Visitors from the US, which

Box 2: Tourism Developments and Prospects

The impact of the international financial crisis and global economic downturn was manifested in tourism's lackluster performance in 2008.

In the face of these developments, the Belize Tourism Board's marketing strategy continued to focus on presentations at trade shows in the USA and Europe during the year and magazine advertisements in Canada. The BTB was also active in the Sistema de Integración Centro Americana (SICA) with a view to getting increased exposure in the European market by developing ties with European tour operators that deal with the Central American region.

Further work was also done to develop the tourism product through infrastructural enhancements. This included the continuation of work on the international airport which involved a number of small upgrades such as the construction of a new landside canopy connecting Terminals 1 and 2 as well as the remodelling of Terminal 2. Upgrades were also done on the air conditioning system, security system and the informational display system. Internal works were started in Terminal 2 as part of the Departure Hall expansion project scheduled for completion in 2009.

The year also saw a study conducted to determine which of the potential cruise ship docking facilities (Stake-Bank or the Port of Belize) would be the most viable. The Port of Belize project was chosen and the recommendation was sent to Cabinet. The first phase of the 'small business competitiveness' project was also completed in the Belize and Cayo Districts with the main objective of improving the capacity of local businesses to deliver high quality tourism goods and facilitate greater access to the local "supply chain".

For 2009, major developments in the tourism industry are expected to include:

a) Completion of the second phase of the BTIA and BTB project funded by the Inter-American Development Bank to increase the competitiveness of micro, small and community based organizations that are aligned with the cruise ship tourism sector.

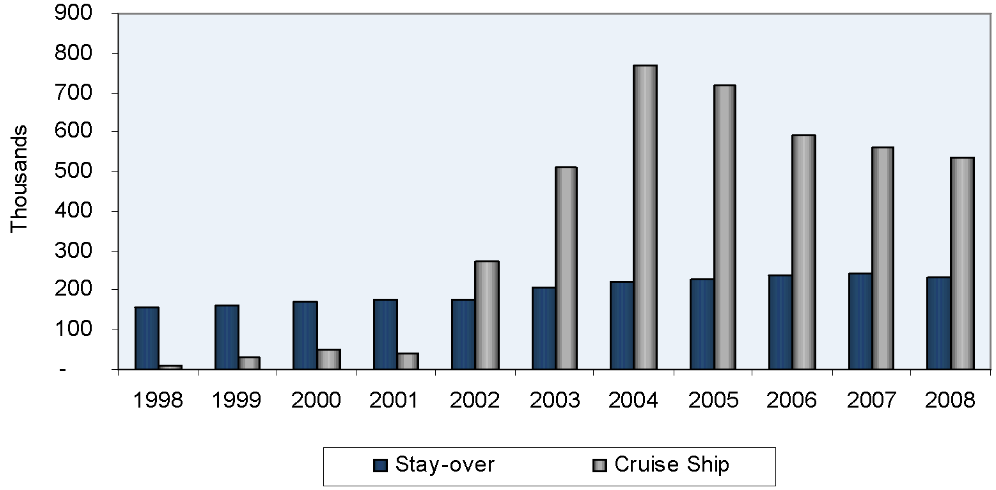
b) Working along with the Aviation Development Committee, the BTB will continue negotiations with international airlines and other low cost carriers to entice them to fly to Belize.

c) The Aviation Development Committee will be conducting negotiations aimed at establishing a direct bus route from Cancun to Belize.

d) Work on the paving of the Placencia road, which began in latter half of 2008 will be continued.

e) The start of the project financed by the Inter-American Development Bank which includes improving infrastructure in Belize City, Ambergris Caye, San Ignacio and Placencia and the development of a tourism master plan.

Chart 9: Stay-over and Cruise Ship Visitor Arrivals



accounted for 63.5% of all stay-over arrivals, were down by 3.3%. Arrivals from the EU, which ranks as the second largest market and accounted for 13.8% of all stay-overs, fell marginally by 0.5%. The number of arrivals from other countries was 3.0% lower as growth in Canadian arrivals was eclipsed by a significant downturn in visitors from Guatemala.

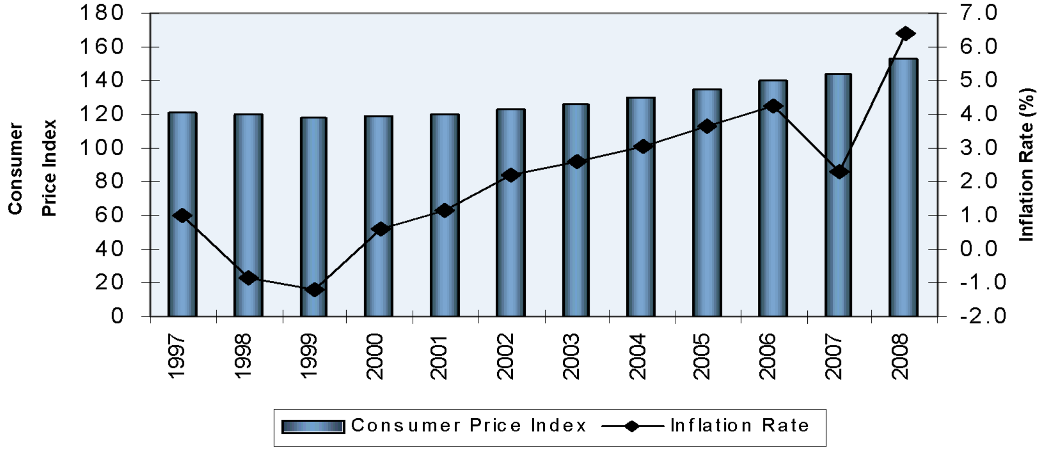
After peaking in 2004, cruise ship disembarkations declined for the fourth consecutive year, influenced in part by a relatively active hurricane season, floods in October which prompted the cancellation of several port calls and by the continued redeployment of ships from the Caribbean to the Mediterranean. Cruise visitor disembarkations were consequently down by 4.1% to 537,632 with the number of port calls falling from 278 in 2007 to 274 in 2008.

Prices

A combination of external factors caused the consumer price index (CPI) to rise by an annual average of 6.4% as compared to 2.3% in the previous year. Chief among them was the cost of fuel, which went up significantly during the first three quarters, as international crude oil prices peaked at over US$140 per barrel in July, in response to geo-political tensions, limited refining capacity and speculative pressures. Since fuel has a domino effect on prices elsewhere in the economy, the CPI moved up significantly during this period. A fall in crude oil prices in the fourth quarter caused inflationary pressures to cool considerably, bringing the annual increase in 'Rent, Water, Fuel & Power' to 3.6%, while the average cost of 'Transportation and Communication' activities moderated to 3.5% by year-end. The biggest cost push in the former category was from butane prices, while the latter reflected fuel prices at the pump.

The largest increase was in the 'Food, Beverage and Tobacco' category, which rose by 13.3% due to price hikes for basic food items such as rice, flour, bread, cooking oil,

Chart 11: Consumer Price Index and Inflation Rate



powdered milk, chicken and eggs. Increasing world demand for grain, livestock and vegetable oils fuelled by rapidly expanding economies (such as China and India), rising petrochemical costs and the continued development of bio-fuels as an alternative energy source pushed up prices for grains, feed and agricultural inputs. Locally, there were sharp increases in the prices for rice, chicken and eggs. The global supply shortfalls of wheat due to disease and drought in 2007 drove up its import cost, and this was passed on to the public through higher prices for flour and its by-products.

A further cost boost came from higher import costs for a broad array of merchandise, as indicated by the 6.7% increase in the US export price index (up to November 2008). Goods in the CPI basket with a high import content such as 'Household Goods & Maintenance', and 'Personal Care' consequently went up by 1.9% and 2.1%, respectively. Going against the trend of higher costs was a 0.9% decline in average prices for 'Clothing and Footwear'.

Employment

The seasonal rise in economic activities in 2008 yielded a 2.4% expansion in jobs that outpaced a 1.9% increase in the labour force. The unemployment rate consequently fell for the fifth consecutive year with the SIB measuring it at 8.2% in May as compared to the previous year when it was measured at 8.5% in April and 12.1% in September.

The primary sector accounted for the largest growth in jobs (18.5%), reflecting the hike in labour demand to deal with the stepping up of banana and citrus production. Employment in the secondary sector was also up by a robust 16.4% particularly due to construction of tourism oriented condominiums and the expansion program in telecommunications. Contrasting with this was a 6.7% decline in tertiary sector jobs that may have been influenced by the slowdown in cruise arrivals in the first five months of

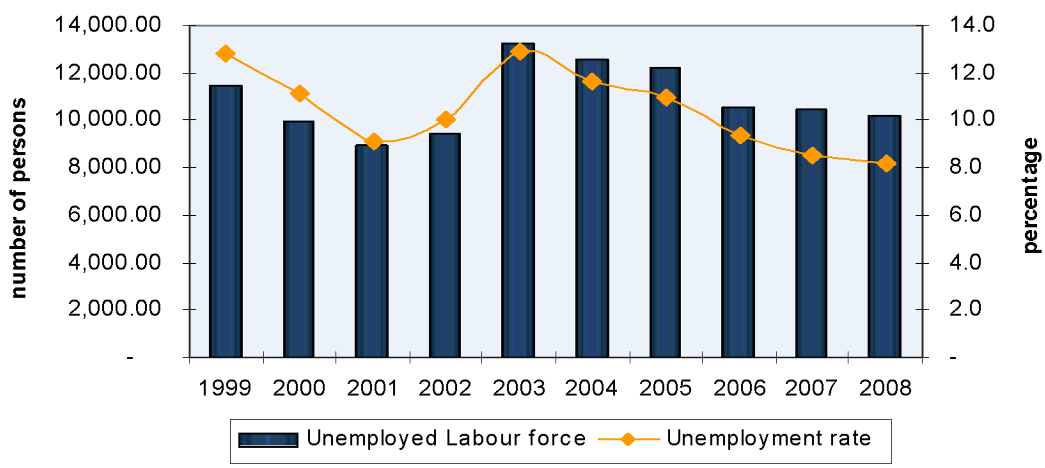
Table 10: Labour Force Statistics

	April 2006	April 2007	May 2008
Labour Force	112,807	122,258	124,637
Employed Population	102,234	111,835	114,465
Unemployed Population	10,573	10,423	10,172
Unemployment Rate	**9.4**	**8.5**	**8.2**
Employed Population by Industrial Grouping (no.)			
Primary Sector	21,645	25,345	30,035
Secondary Sector	15,635	16,180	18,835
Tertiary Sector	64,955	70,310	65,595
Employed Population by Industrial Grouping (%)			
Primary Sector	21.2	22.7	26.2
Secondary Sector	15.3	14.5	16.5
Tertiary Sector	63.5	62.9	57.3

Source: Statistical Institute of Belize

the year. Notwithstanding this, the tertiary sector remained the largest source of employment, accounting for 57.3% of the working population. The primary sector was second with 26.2% while the secondary sector trailed with 16.5% of total persons employed.

Chart 11: Unemployment



Foreign Trade and Payments

A sizeable expansion in the trade deficit caused the external current account deficit to spiral upward from 4.1% of GDP to 11.1% of GDP, representing a return to deficit levels last seen in 2005. The outturn from other current account transactions was more or less stable as falling tourism receipts and increasing international freight costs were counterbalanced by higher earnings from other services and an increase in public and private sector current transfers. While the current account was under pressure from the widening trade deficit, the surplus on the capital and financial accounts almost doubled to $436.2mn, boosted by robust foreign direct investment inflows mostly into petroleum, real estate and tourist oriented activities as well as higher loan inflows to the private sector. The current account deficit was therefore financed without difficulty and gross international reserves increased to $332.3mn, the equivalent of 2.8 months of merchandise imports.

Merchandise Trade

With imports far outpacing the growth in exports, the trade deficit widened by 49.4% to $646.8mn (23.3% of GDP), the highest level of the past three years. Total imports rose by 22.8% to $1.6bn with imports for domestic consumption and the CFZ up by 23.8% and 18.4%, respectively. The growth in the former was partly due to substantial imports of capital investment goods, particularly for the telecommunication, electricity, aviation and petroleum industries. Other notable increases occurred in the acquisition cost of fuel, electricity from Mexico, wheat, animal feed, milk products, construction materials, agricultural chemicals/fertilizers, packaging material and transport vehicles. CFZ imports expanded with an increase in cross border

Table 11: Balance of Payments - Summary and Financing Flows

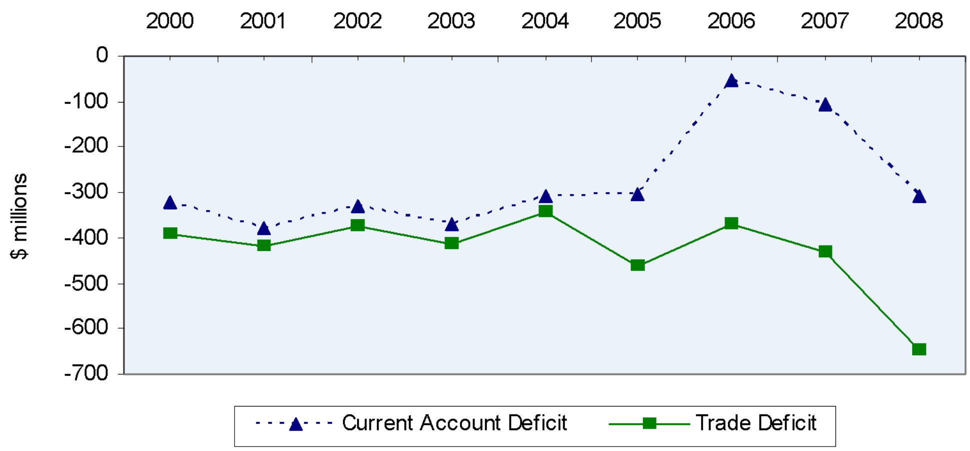
$mn

	2006 Net	2007 Net	2008 Net
CURRENT ACCOUNT	**-50.8**	**-104.2**	**-307.4**
Merchandise Trade	-369.6	-432.9	-646.8
Services[(1)]	421.4	459.8	438.9
Income[(2)]	-250.6	-317.9	-322.7
Current Transfers	147.9	186.8	223.1
CAPITAL ACCOUNT	**18.3**	**8.2**	**18.1**
FINANCIAL ACCOUNT	**148.2**	**219.5**	**418.1**
NET ERRORS & OMMISSIONS	-16.1	-77.7	-13.5
OVERALL BALANCE	99.6	45.8	115.2
FINANCING	-99.6	-45.8	-115.2
Memo Items:			
Import cover in months	**1.8**	**2.3**	**2.8**
Current Account/GDP Ratio (%)	**2.1**	**4.1**	**11.1**

(1) Tourism earnings were based on Visitor Expenditure Surveys.

(2) Data include an estimate for profit remittances from the tourism industry.

Chart 12: Current Account Deficit and Trade Balance



trade and a build-up of inventory. Concurrently, exports grew by a much more modest 9.2% to $929.5mn with CFZ sales up by 6.4% and domestic exports expanding by 12.3% as substantial hikes in banana and petroleum revenues offset lower sugar, citrus, garment and papaya sales.

Domestic Exports

Record international crude oil prices and a significant increase in export volume ensured that petroleum was the country's principal export earner for the second consecutive year with the largest contribution to the 12.3% rise in earnings from domestic exports. A surge in banana receipts and a smaller increase in non-traditional exports also contributed to the growth in overall export earnings while inflows from sugar, citrus, marine products, molasses, garments and papayas fell.

Chart 13: Domestic Exports by Commodities

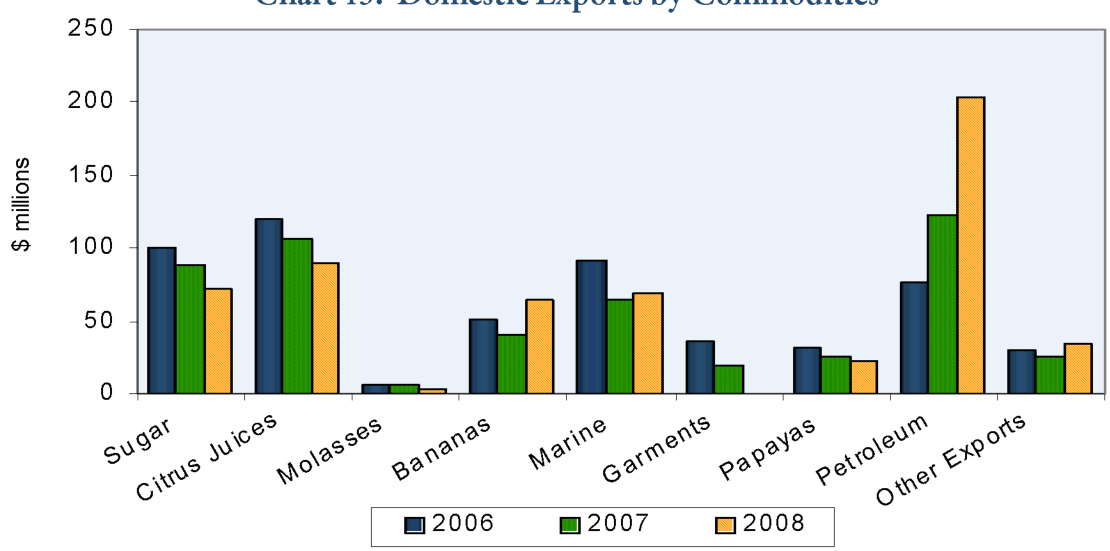
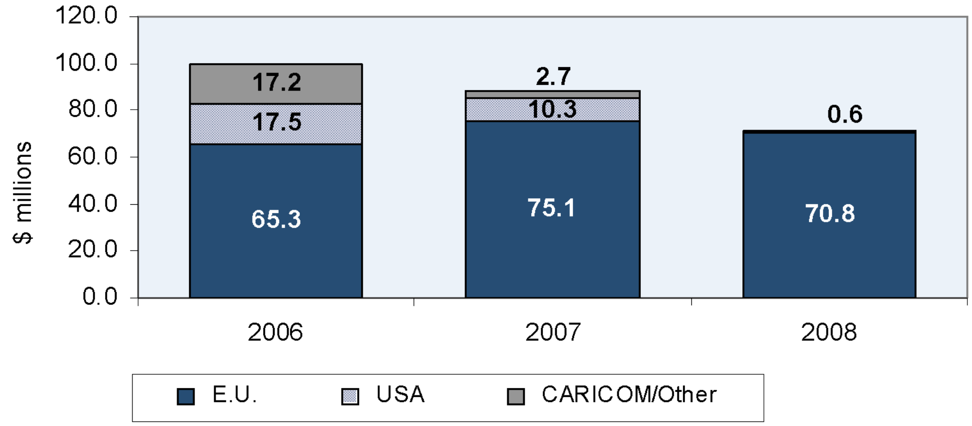


Chart 14: Sugar Exports by Market



Sugar and Molasses

Unfavourable weather and pests reduced crop yields and caused a sharp fall in sugar production. The volume of sugar exports consequently declined by 20.3% to 66,277 long tons, while earnings fell by 19.0% to $71.4mn as virtually all sales were to the EU, the most lucrative market.

Sales to the EU of 65,625 long tons accounted for 99.0% of annual exports. With St Kitts opting out of sugar production, Belize's permanent EU quota was increased by 6,000 long tons to some 48,000 long tons. Furthermore, an additional 15,000 long tons was temporarily reallocated to Belize since Trinidad and Barbados were unable to meet their quota. The limited domestic export supply meant that the temporary increase in the EU demand could only be met by sacrificing all sales to the US and reducing sales to regional markets. Sales of bagged sugar to CARICOM therefore plummeted by 86.0% to 310 long tons while exports to Canada and Curacao fell by 41.8% to 341 long tons.

Molasses exports fell by 20.1% to 32,843 long tons and earnings decreased by 38.7% to $3.6mn as the average price plunged from $141.25 to $108.36 per long ton in response to higher production from Asian suppliers such as India and Pakistan.

Citrus Juices and Pulp

A bumper harvest permitted citrus juice exports to increase by 14.6% to 37.1mn pound solids (ps), but this was offset by lower orange and grapefruit juice prices across all markets and as a result, earnings fell by 15.5% to $89.7mn. Sales consisted of mostly concentrates as exports of not-from-concentrate (NFC) were neglible.

The export volume of orange concentrate increased by 7.6% to 31.0mn ps, but lower international prices caused by the rebound in US production and declining US per capita consumption of orange juice pushed revenue down by 18.8% to $76.6mn. US processors channeled a portion of their excess juice supplies to the export market to take advantage of a shortfall in Brazilian juice production and this enabled smaller producers like Belize to increase their share of the US market. The volume sold to the US consequently grew by a substantial 49.4% to 20.9mn ps although earnings were up by only 2.2% due to a $1.06 fall in the average pound solid price. Following the rescinding of generous supplier terms offered in the previous year, sales to the Caribbean experienced a 32.5% downturn to 6.7mn ps, and receipts fell by 33.2%. Earnings from the European market plunged by 64.1% to $6.8mn in response to reductions of 49.2% in export volume and $1.14 in the average price per ps. After a one year hiatus, exports of orange freeze concentrate recommenced on a very small scale, amounting to 0.8mn ps valued at $2.7mn.

An almost doubling in the volume of grapefruit concentrate sales yielded a revenue increase of only 10.2% due to falling prices in Europe, the major market. While exports to the latter registered a 66.2% expansion, the significantly lower growth in receipts of 4.4% reflected a $1.12 fall in the average unit price. The potential revenue gains from an almost threefold volume increase in grapefruit freeze concentrate were similarly whittled down to 33.1% due to a $2.40 reduction in the price per ps. In the Caribbean, prices for grapefruit concentrate remained relatively stable resulting in growth in sales volume and value of 5.7% and 5.6%, respectively.

Sales of NFC were negligible while pulp exports amounted to 1.7mn pounds valued at $1.3mn.

Banana

Farmers boosted production during the year and were able to take advantage of an expanded market with a new buyer (Dole) accounting for approximately 16.0% of total exports. The volume exported rose by 26.1% to 77,934 metric tons and revenues increased by a proportionately larger 60.7% to $64.0mn in response to a global increase in banana prices that partly reflected an escalation in the costs for production and transportation.

The industry's 50.0% share of the out-of-quota tariffs incurred in the previous year amounted to $1.6mn, while quality penalties for the year were $0.2mn. Even after deducting for these expenses, growers netted a final average box price of $14.14, compared to $11.93 received in 2007.

Marine Products

Marine export volume contracted for the fourth consecutive year as a significant fall in shrimp sales and a slight decline in that of lobster overshadowed increases in the other marine commodities.

Shrimp export volume declined by 11.9% with revenues estimated at $43.8mn as a $0.68 increase in the average unit price limited the fall in earnings to 4.9%. The bulk of shrimp sales were to Europe and Mexico, with the remainder going to the US. With an already very sluggish US market being further affected by the global financial crisis and its impact on the dining-out market, the Mexican market continued to be seen as a viable alternative and farmers took advantage of its proximity and the willingness of Mexican importers to purchase whole shrimp at the farm gate. The US lobster market was similarly depressed with prices spiraling downwards in the last quarter of the year. While the volume of lobster exported declined by 1.9%, revenues fell by 8.0% to $14.8mn due to a 6.2% drop in the average price which stood at $32.97 per pound.

Contrasting with this, exports of whole fish and fillet increased more than sevenfold to 2.6mn pounds with revenues more than quadrupling to $4.3mn as the largest tilapia farm recovered from production problems experienced in the previous year and the Cobia cage farming facility had its first full year of operations. Protective measures such as size restrictions on harvestable conch implemented over the last few years were successful in boosting conch reproduction, so exports rose by 23.2% to 0.6mn pounds valued at $6.6mn as the price held steady at $10.24 per pound.

Other Major Exports

The looming expiration of duty-free access to the US market led Williamson Industries to cease operating in early January and garment exports consequently plummeted to only 0.03mn pounds valued at $0.3mn.

Papaya's recovery from the hurricane damages sustained in the previous year was hindered by excessive rainfall, floods and diseases that flourished in the wet conditions, hence, the volume and value of exports declined by 12.7% to 63,716 pounds and by 13.9% to $22.4mn. The revenue loss was exacerbated by a 1.5% decline in the average price per pound that was due to a surge in Mexican papaya exports to the US, Belize's sole export market.

For the second consecutive year, petroleum ranked as the highest export earner with

Chart 15: Exports of Shrimp and Total Marine Products

volume and value rising by 24.4% (to 1,189,587 barrels) and 66.4% (to $203.2mn), respectively. The average f.o.b. price per barrel rose by 33.8% to US$85.41 due to record high international crude oil prices during the first three quarters of the year.

Non-traditional Exports

Higher earnings from sawn wood, beans, citrus oils and a medley of other non-traditional products outweighed declines in receipts from pepper sauces, fresh oranges and veneer sheets so that the value of non-traditional exports rose to $33.9mn, a 32.4% increase.

While earnings from orange and grapefruit oils were up, the largest increase was in orange oil, which saw a 26.5% increase in export volume while the average price was up by 6.9%. Earnings from red kidney beans and black eye peas rose by 18.8% to $7.7mn facilitated by an 18.0% increase in the average unit price. Proceeds from sawn wood were up by 15.8% to $2.2mn as a volume increase of 76.0% was tempered by a sharp decline in the average price per board feet. On the other hand, revenues from pepper sauce fell by 3.3% to $1.6mn notwithstanding higher sale volume while receipts from sales of fresh oranges were down by 37.1% to $1.7mn as a 42.8% reduction in export volume was slightly offset by a 10.4% price increase.

Re-exports

Re-exports grew by 4.8% to $371.6mn as expanded sales in the CFZ offset a 6.2% decline in re-exports from the customs area. The increase in CFZ sales reflected strong gains during the first nine months, as sales were down by 26.0% in the fourth quarter (generally the peak shopping season) due to the peso's depreciation against the US dollar. The decline in other re-exports was due in part to lower sales of diesel oil.

Gross Imports

Gross imports (f.o.b) rose by a substantial $292.2mn as the value of goods imported into the customs territory and the CFZ surged by $248.2mn and $44.0mn, respectively. All categories of imports increased except 'Crude Materials', 'Other Manufactures' and goods for 'Export Processing Zones', which fell due to the closure of the Williamson sewing factory. The largest increase was in 'Machinery & Transport Equipment', which went up by $91.4mn mainly due to imports of telecommunication and electrical equipment, aircrafts, transport vehicles and heavy duty machinery. 'Minerals, Fuel, Lubricants, and Electricity' expanded by $66.8mn as the steep hike in international oil prices pushed fuel acquisition costs up by $46.9mn even as the volume of diesel and gasoline imports shrank by almost 15.8%. The value of electricity imports rose by almost $20.0mn with a 10.3% volume increase and a rise in Mexican electricity rates, which are tied to international oil prices. 'Manufactured Goods' rose by $54.7mn with higher imports of packaging materials, inputs for the petroleum industry, cement, steel and construction materials. Higher demand and an increase in the cost of durum wheat, animal feed, margarine and milk products explained the $22.4mn rise in 'Food and Live Animals'. Imports of 'Chemical Products' also recorded a double digit increase of $14.7mn due to the higher cost of agricultural chemicals and fertilizers, most of which were petroleum-based products.

Direction of Visible Trade

The United States accounted for 42.4% of Belize's exports and regained its position as the country's primary market even with Belize's failure to export any sugar to the US in 2008. This movement reflected a shift in petroleum sales to the US from Central America, whose market share consequently fell from 28.4% in 2007 to 20.6%. Higher sales of banana and sugar accounted for the rise in the UK market share by 1.8 percentage points to 19.8%. On the other hand, a slump in shrimp and orange concentrate sales halved the export share of other EU countries to 7.2%, while that of CARICOM fell from 7.0% to 5.2% with the diversion of sugar to the preferential EU market and a reduction in sales of orange concentrate. A fall in shrimp sales accounted for the small decline in Mexico's market share from 1.9% to 1.7%.

The direction of trade for imports was relatively stable. The United States remained the principal source of imports, maintaining its market share of 32.7%. Similarly, the share of imports from Central America and the UK were unchanged at 19.3% and 1.5%, respectively. On the other hand, the import share from other EU countries, CARICOM and Canada declined slightly. Mexico's share rose slightly mainly due to higher imports of electricity, steel and construction materials.

Services

Net income from services declined by 4.5% to $438.9mn, as earnings fell by $18.6mn and outlays edged up by $2.3mn. The contraction in earnings reflected declines in tourism and transportation receipts that eclipsed higher

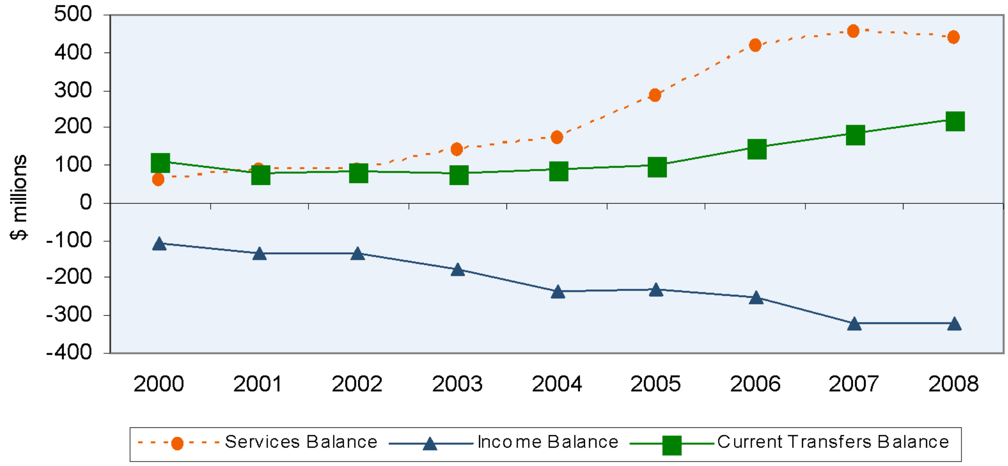
Table 12: Percentage Distribution of Visible Trade by Country/Area

Percentage

	Exports (1)			Imports (2)		
	2006	2007	2008	2006	2007	2008
United States of America	41.8	26.6	42.4	37.7	32.7	32.7
Mexico	3.2	1.9	1.7	11.4	12.6	12.8
United Kingdom	16.5	18.0	19.8	1.3	1.5	1.5
Other EU	14.9	14.4	7.2	4.9	3.9	3.7
Central America	12.7	28.4	20.6	20.0	19.3	19.3
CARICOM	8.3	7.0	5.2	2.0	2.0	1.6
Canada	0.1	0.1	0.4	1.1	1.0	0.8
Other	2.5	3.5	2.7	21.7	27.1	27.6
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Statistical Institute of Belize, Central Bank of Belize
(1) exclude CFZ sales
(2) include electricity imports from Mexico

Chart 16: Net Balances for Services, Income and Current Transfers



inflows from other services and funds channelled through foreign embassies and other international entities to finance flood relief efforts and other charitable works. The robust growth in tourism earnings that characterized most of the decade stalled in 2008 with the decline in stay-over and cruise ship visitors driving down those earnings by some 2.6%. The fall in port calls lowered earnings by shipping agents and contributed to a 16.4% contraction in receipts from transportation services. On the other hand, outlays on services rose marginally as a 22.0% growth in transport costs (from the expansion in international trade) outweighed the fall in expenditure by residents travelling abroad and the non-recurrence of the sizable insurance and financial fees associated with the debt restructuring exercise in the previous year.

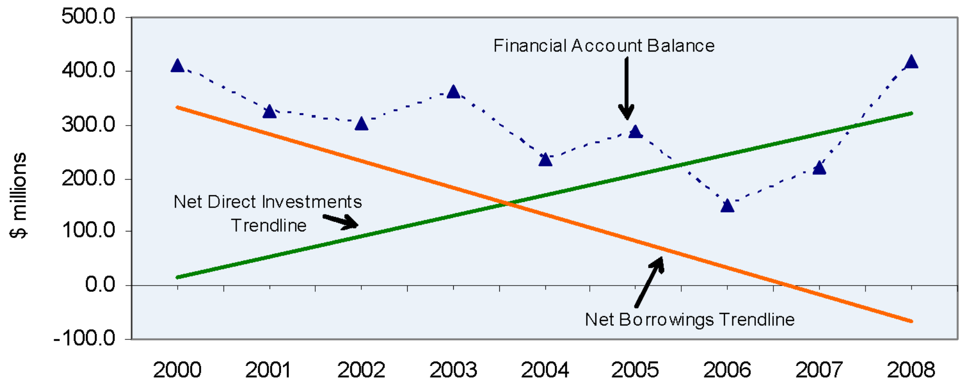
Income

Outflows of dividends and profits were up by 45.0%, an unusually large increase that reflected the decision of a commercial bank to pay some $60.0mn in accumulated dividends early in the year. Retained earnings of commercial banks therefore fell by 30.8%. Interest payments on the public sector debt were also 25.6% lower than in 2007 due to the debt restructuring. Foreign seasonal agricultural workers in banana and citrus production accounted for a $2.1mn rise in income payments while the Central Bank's interest earnings abroad fell by $1.9mn due to the decline in international interest rates. The net result of these transactions was a $4.8mn increase in net outflows on the income account for a total of $322.7mn.

Current Transfers

Net inflows from current transfers rose by 19.4% to $223.1mn with the major inflows consisting of the Government of Taiwan grant of $50.0mn, Fair Trade sugar receipts ($6.9mn), insurance receipts and family remittances, the latter of which grew by 4.8% as compared to growth of 22.8% in 2007.

Chart 17: Main Components of the Financial Account



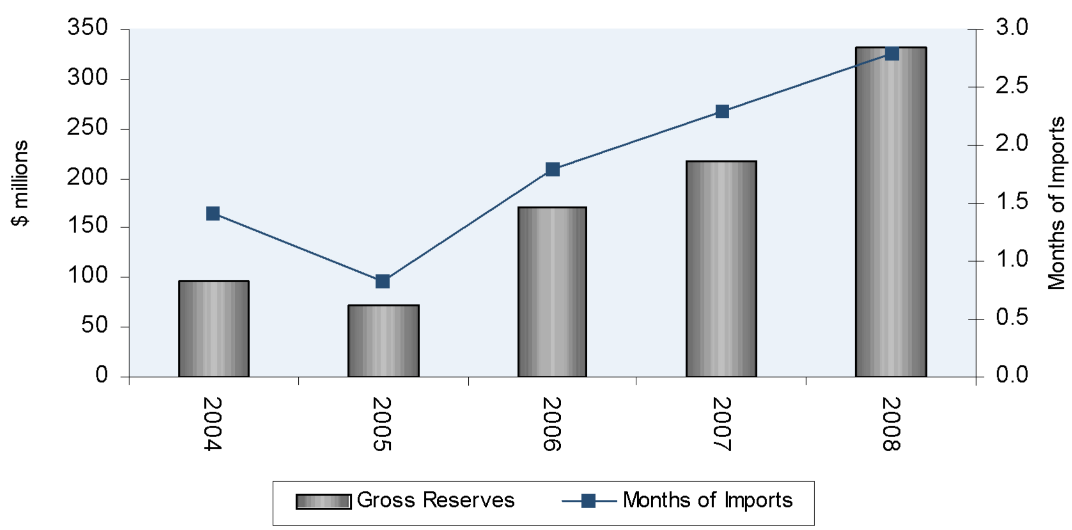
On the other hand, outflows contracted to more normal levels compared to the previous year in which the government transfer of $40.0mn to non-resident entities connected with the UHS debt had occurred.

Capital and Financial Accounts

Grants from the EU sugar and banana support programs as well as from the Caribbean Development Bank (CDB) for the Basic Needs Trust Fund pushed the capital account surplus up from $8.2mn to $18.1mn.

The financial account surplus also rose by 90.5% to $418.1mn largely due to substantial foreign direct investments mainly into the petroleum industry, real estate and tourism oriented projects. Further savings were recorded as a result of the external debt restructuring that led to a considerable reduction in government's loan payments during the year. In other developments, the domestic commercial banks increased their

Chart 18: Gross Official International Reserves and Months of Imports



borrowing from foreign affiliates by $72.8mn to meet specific commitments and their customers' needs. Simultaneously, they built up foreign exchange holdings abroad. Net inflows to the private sector more than tripled to $34.9mn as loan disbursements for projects such as the Vaca Dam, co-generation plant, citrus juice manufacturing, tourism oriented developments and gaming far exceeded loan repayments.

Central Government Operations & Public Debt

Central Government Operations

With revenues being substantially boosted by foreign grants and receipts from petroleum taxes and royalties, Central Government was able to record an overall surplus (the first in 20 years) that amounted to 1.1% of GDP while its primary surplus rose to 4.9% of GDP. Revenues were also higher due to the return of Venezuelan grant monies from the Belize Bank and robust growth in receipts from the GST and business taxes. Annual expenditures were down by 4.1% due to a significant reduction in external interest payments, the non-recurrence of the previous year's large debt restructuring fees and a substantial reduction in capital transfers. Without the substantial grants received in 2008, the overall balance would revert to a deficit of 0.9% of GDP, while the primary surplus falls to 2.9% of GDP.

The fiscal surplus facilitated a $7.0mn reduction in external borrowing with amortizations exceeding loan disbursements. Net financing from the Central Bank also fell

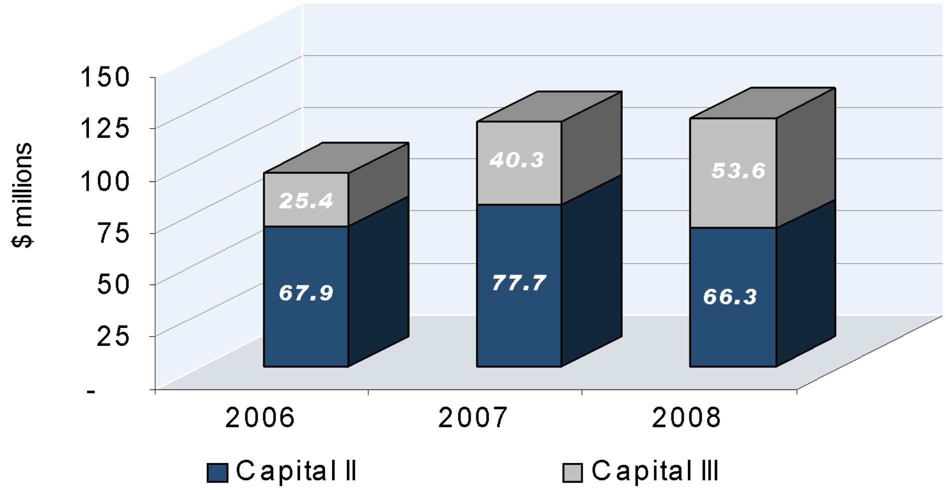
Table 13: Government of Belize - Summary of Revenue and Expenditure

$mn

	Jan-Dec 2006	Jan-Dec 2007	Jan-Dec 2008	Change during 2008
Current Revenue	566.0	651.5	729.6	78.1
Tax Revenue	514.5	577.0	621.0	44.0
Non-Tax Revenue	51.5	74.4	108.5	34.1
Current Expenditure	550.8	636.1	618.9	-17.2
CURRENT BALANCE	**15.2**	**15.3**	**110.6**	**95.3**
Capital Revenue	10.0	28.4	8.6	-19.7
Capital Expenditure (Capital II local sources)	67.9	77.7	66.3	-11.4
OPERATING SURPLUS	**-42.7**	**-34.0**	**52.9**	**86.9**
Total Grants	25.3	85.8	56.5	-29.4
Total Revenue and Grants	601.3	765.7	794.6	29.0
Total Capital Expenditure	97.1	160.4	144.5	-15.9
Total Expenditure	648.0	796.5	763.5	-33.1
of which Interest Payment on Public Debt	142.0	134.9	105.4	-29.5
PRIMARY BALANCE	**95.3**	**104.0**	**136.6**	**32.6**
PRIMARY BALANCE W/OUT Grants	**70.0**	**18.2**	**80.2**	**61.9**
OVERALL BALANCE	**-46.7**	**-30.8**	**31.2**	**62.0**
OVERALL BALANCE W/OUT Grants	**-72.0**	**-116.7**	**-25.3**	**91.4**
FINANCING REQUIREMENTS	**46.7**	**30.8**	**-31.2**	**-62.0**
Domestic Financing	-8.9	20.3	-21.3	-41.6
Financing Abroad	56.0	-2.0	-7.0	-5.0
Other	-0.5	12.6	-2.9	-15.5
Ratio to GDP (%)				
CURRENT BALANCE	**0.6**	**0.6**	**4.0**	**3.4**
OPERATING SURPLUS	**-1.8**	**-1.3**	**1.9**	**3.2**
PRIMARY BALANCE	**3.9**	**4.1**	**4.9**	**0.9**
Primary Balance w/out Grants	**2.9**	**0.7**	**2.9**	**2.2**
OVERALL BALANCE	**-1.9**	**-1.2**	**1.1**	**2.3**
Overall Balance w/out Grants	**-3.0**	**-4.6**	**-0.9**	**3.7**

Sources: Central Bank of Belize, Ministry of Finance

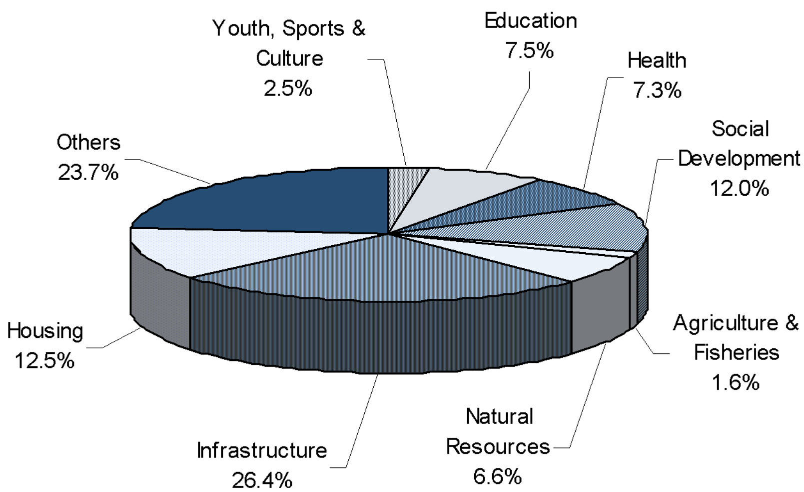
Chart 19: Central Government's Development Expenditure



by $68.9mn as the commercial banks took over the majority of government's short term securities and government deposits at the Central Bank expanded by 141.9%, pumped up by grant monies from Taiwan and Venezuela.

Boosted by the return of the Venezuelan grant funds and a $44.0mn improvement in tax collections, current revenue grew by 11.6% to $729.6mn (26.3% of GDP). Income and profits accounted for 79.1% of the increase in tax collections with petroleum taxes having the largest incremental growth ($23.3mn), followed by business taxes ($7.3mn). The performance of the general sales tax (GST) also improved with an 11.1% increase derived mostly from imports, as collections from locally produced goods and services edged down by 0.5% due to the zero rating in August of basic necessities (such as medical services and food items), the

Chart 20: Development Expenditure for 2008



downturn in tourist oriented activities and reduction in November of fuel prices at the pump. The gains were partly undermined by a 7.1% reduction in collections from international trade as a 15.2% growth in import duties and environmental taxes was offset by a 53.3% fall in revenue replacement duties (RRD). The latter took a downward path in August when the government replaced the RRD on imported fuel with a flat import tax to stem the rapid increase in fuel prices to the consumer. Non-tax revenue spiked upward by 45.8% ($34.1mn) due to the return of the Venezuelan grant monies, the reimbursement of loan payments made by government on behalf of Belize Ports Ltd., a $7.0mn increase in royalties from petroleum operations and a small increase in license receipts.

The robust performance of current revenues more than offset the $19.7mn fall in capital revenue that reflected a significant reduction in land sales and 34.3% decline in grants, which were still sizeable due to a lump sum of $51.9mn received from Taiwan.

The fall in expenditure reflected reductions of 2.7% in current outlays and 77.3% in capital transfers. In the previous year, the latter had been bumped up by the transfer of $40.0mn to non-resident entities associated with the UHS debt. Interest payments were down by a notable 21.8% due to the restructuring of the debt. Outlays on goods and services also fell by 14.8% without the large insurance premiums and financial fees incurred for the 2007 debt restructuring. Whittling down these savings were an 8.9% increase in the wages, salaries and pension bill as well as a 16.2% growth in domestic transfers to municipal and statutory bodies.

Capital expenditure rose by 1.6% ($1.9mn) with outlays on externally funded projects increasing by 33.1%, while spending on locally funded projects declined by 14.7%. Infrastructural works accounted for 38.9% of the total, followed by social projects, such as education, health, and social development, with 29.3%. Included in the former were improvements to the south-side of Belize City, upgrading of the Placencia Road, completion of the Southern Highway, placement of a temporary causeway at the Kendall Crossing, the upgrading of hurricane shelters and maintenance of highways, roads, culverts, streets and drains. Some 11.6% was devoted to housing and home improvement with funding being provided by the Venezuelan grant. Educational projects, such as technical and vocational training, were allocated another 3.9%, while 5.7% went to health reform and 7.0% went to the Social Investment Fund and Basic Needs Trust Fund. Agriculture and natural resource projects received 8.2%, with the land development and management program being the largest item (4.3%). Other notable capital investments were for the modernizing of the Customs and Excise ASYCUDA System, purchases of vehicles, capital contributions to international agencies, and the Corozal Free Zone management.

Box 3: Major Fiscal Initiatives in 2008

29th April, 2008 - Funding of US$247,270.00 for projects targeting sustainable development in tourism and the environment were approved by the Organization of American States (OAS) and secured under the Special Multilateral Fund of the Inter-American Council for Integral Development (FEMCIDI).

2nd June, 2008 - The Pension Act was amended to restore the pensions of retired public officers who are re-employed in the public service, effective 1st April, 2008.

11th July, 2008 - The Placencia Road Project commenced as Government signed a civil works contract with Cisco Construction Ltd to upgrade approximately 20 miles of road between mile 21 of the Southern Highway and the ending of the Placencia Airstrip. Funded mostly by a CDB loan of $25,881,550.73, the works include the construction of embankments, sidewalks, concrete drainage structures, a double lane bituminous running surface and a new multi-purpose center for Seine Bight community.

30th July, 2008 - With the late conclusion of the Budget Debate in the House of Representatives, an Act was passed to appropriate some $888,677,627.00 to cover government operations for the fiscal year starting April 1st, 2008 and ending March 31st, 2009.

1st August, 2008 - Statutory Instrument 77/2008 became effective and resulted in the removal of GST from cooking oil, instant coffee, tea, chicken sausage, canned corn beef and powder milk as well as a wide range of over-the-counter medicines, medical supplies and services. Statutory Instrument 78/2008 repealed the revenue replacement duty on aviation spirit, other motor spirit, jet fuel, diesel oil and fertilizer.

30th August, 2008 - The Customs and Excise Act was amended (retroactive to 1st August, 2008) to enable the Minister to remit custom duties in certain cases considered to be in the public interest; to vary the rates of customs and excise duties on certain goods; and provide for the levying of excise duty on locally refined fuel products.

(1) The Minister may remit, wholly or partially, the duties set forth in the 1st schedule in the following cases:

a) Goods imported by charitable or religious organization, or registered NGO's which are aimed at poverty reduction and not for commercial gain.

b) Goods imported for educational or charitable purposes.

c) Capital goods imported by small licensed hotel and guesthouse operators to improve their properties.

d) Passenger vans of up to 18 seats imported by small licensed tour operators to improve the quality of their services.

e) Farm machinery and implements imported by small farmers for use in their farming activities.

(2) Tariffs for feed concentrate for poultry, cattle, and pig were removed.

con't...

Box 3: Major Fiscal Initiatives in 2008 (con't)

(3) The RRD on imported fuel was removed and replaced by flat taxes per gallon, which were added to the existing custom duties:

Description of Goods	Rate of Duties
Aviation Spirit	from 0 to $1.15 per Imp. Gal
Premium Gasoline	from $0.54 to $1.38 per Imp. Gal
Regular Gasoline	from $0.54 to $1.26 per Imp. Gal
Kerosene (jet fuel)	from 0 to $1.27 per Imp. Gal

(4) Application of excise duty on locally refined fuel products:

Premium Gasoline	$1.52 per Imp. Gal
Regular Gasoline	$1.42 per Imp. Gal
Diesel	$0.49 per Imp. Gal
Illuminating Kerosene	$0.14 per Imp. Gal
Kerosene (Jet Fuel)	$1.27 per Imp. Gal

1st September, 2008 - The Income and Business Act was amended to provide for the imposition of a petroleum surcharge on revenues derived from petroleum operations when the price of crude oil is above US$90/bbl on the world market and to provide for a more equitable sharing of revenues between the Government and the oil companies.

16th December, 2008 - Two loans from the Inter-American Development Bank were gazetted which are intended to (1) assist the overnight tourism market by improving, restoring, and diversifying destination and product and (2) improving solid waste management practices, reduce environmental pollution, and enhance Belize's image in the eco-tourism market. The Sustainable Tourism Program was estimated at a cost of US$13,322,000.00 with the IDB providing loan repayment terms of 25 years inclusive of a 56 month grace period at an adjustable interest rate, currently at 5.0% per annum. The full cost of the Solid Waste Management Project was estimated at US$14,789,000 with the IDB providing US$11,150,000.00 repayable over 25 years inclusive of 54 months grace period and an adjustable interest rate, presently at 5.0% per annum.

30th December, 2008 - The Income and Business Tax Act was amended to revise and rationalize the business tax rates on telecommunication companies from 19.0% to 24.5% and Public Investment Companies (PIC) from 8.0% to 12.0%, to become effective on 1st January 2009.

Sources: Belize Gazette, GOB Press Office, and the Laws of Belize

Table 14: Central Government's Domestic Debt

$mn

Instrument	2006	2007	2008
Loans & Advances	129.1	151.2	152.0
Treasury Bills	100.0	100.0	100.0
Treasury Notes	55.8	55.8	65.8
Defence Bonds	15.0	15.0	15.0
Total	**299.9**	**322.0**	**332.8**

Sources: Ministry of Finance, Central Bank of Belize

Central Government's Domestic Debt

Central Government's domestic debt rose by 3.4% to $332.8mn (12.0% of GDP) with the government increasing its borrowing from the Central Bank while reducing its reliance on other entities. New borrowing consisted of a $22.2mn increase in the Central Bank overdraft balance and the issuance of $10.0mn in new Treasury notes that were taken up by the Central Bank. While new loans were obtained from Atlantic Bank ($6.1mn) during the year, these were paid off by December.

In addition to paying off its overdraft at the commercial banks, the government made amortization payments of $23.7mn, with some $21.1mn going to commercial banks for the accelerated payment on the Marine Parade infrastructural loan and the retirement of all Atlantic Bank loans. Payments to other non-bank entities accounted for the $2.6mn remainder and included the scheduled payments on the GOB Debt for Nature Swap ($1.3mn) and those to the BSSB ($0.7mn), RECONDEV ($0.5mn) and the Fort Street Tourism Village ($0.2mn). At year-end, Central Bank and the commercial banks accounted for 63.8% and 28.5% of Central Government's domestic debt.

Chart 21: Sources of Central Government's Domestic Debt

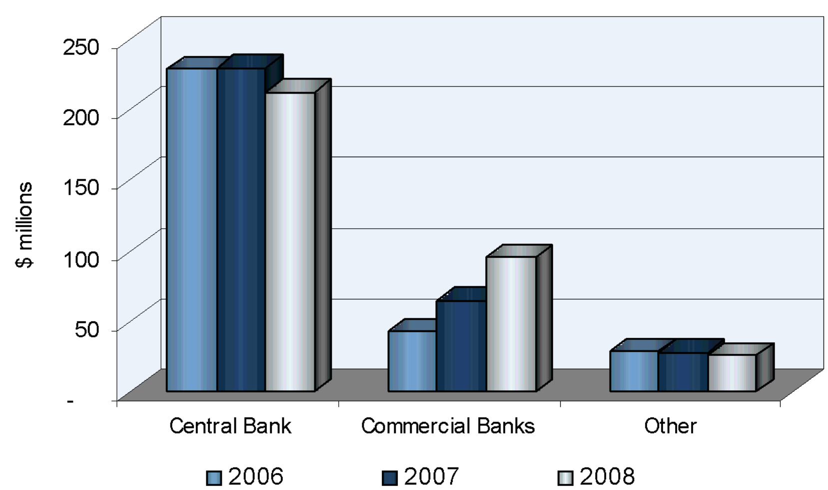


Table 15: Public Sector External Debt by Source

$mn

	Outstanding Debt 31/12/2007	Disbursement	Amortization	Interest & Other Charges	Valuation Adjustments	Outstanding Debt 31/12/2008
Bilateral	331.5	56.2	56.4	16.2	-0.2	331.1
Bonds	1,143.2	1.7	11.1	51.1	0.0	1,133.8
Commercial Banks	12.0	0.0	5.2	1.2	0.0	6.8
Multilateral	458.7	25.1	35.5	19.4	-1.2	439.3
Suppliers Credit	0.0	0.0	0.0	0.0	0.0	0.0
Total	**1,945.4**	**83.0**	**108.3**	**87.8**	**-1.4**	**1,910.9**

Of the $24.0mn in interest payments, $13.0mn went to the Central Bank for short-term credit provided through the overdraft facility and Treasury bills, and the Central Bank also received $5.1mn on its holdings of long-term government securities. The commercial banks received $2.4mn on government securities and $1.7mn on infrastructural loans, while non-bank entities were paid $1.8mn on securities held and loans extended.

The commercial banks ended the year holding 88.6% of the Treasury bills available after buying a total of $58.8mn from the Central Bank and non-bank entities. The Central Bank, on the other hand, saw its holdings of longer term Treasury notes increase by $18.6mn reflecting purchases of notes valued at $8.6 from the commercial banks and $10.0mn in newly issued notes from the government. Non-bank entities also bought $1.4mn in Treasury notes from the commercial banks.

External Public Sector Debt

The public sector's external debt contracted by 1.8% to 68.9% of GDP ($1,910.9mn) as amortization payments, a loan transfer to the private sector and downward valuation adjustments of $108.3mn, $8.1mn and $1.4mn, respectively, eclipsed loan disbursements of $83.0mn, virtually all of which went to Central Government. The latter accounted for 95.1% of the outstanding debt, while the financial and non-financial sectors held 3.1% and 1.8%, respectively.

Bilateral disbursements consisted of $47.2mn from Venezuela in the form of credit for fuel imports and $9.0mn from ROC for hurricane relief. The Venezuelan loan was a mixture of short and long-term credit to finance fuel purchases under the CARICOM-Venezuela PETROCARIBE initiative. Multilateral disbursements of $25.0mn included $16.5mn from the CDB for projects such as the reconstruction of the Placencia road, modernization of the Customs & Excise department, Health Sector Reform, ITVET and SIF, $5.2mn from the Inter-American Development Bank (IADB) and $3.4mn from OPEC for the Belize City south-side infrastructural project. Late participants in the debt restructuring tendered commercial debt to the Bank of New York in exchange for $1.7mn in a replacement bond.

Central Government's loan repayments totaled $88.5mn, of which $55.2mn went to bilateral creditors, including $29.8mn to the Government of Venezuela for fuel imports, $17.0mn to ROC for housing and highway rehabilitation and the retirement of loans held with Allfirst Bank of Maryland and the Government of Great Britain. Multilateral lenders received $26.7mn and another $5.0mn went to BWS Finance Limited on a loan to purchase shares held by Cascal. The financial public sector repaid $6.7mn to multilateral lenders and $9.4mn to the Belize Mortgage Company, while $8.1mn from the DFC/EIB loan was transferred to the Citrus Growers Association and subsequently classified as a private sector loan. The non-financial public sectors made $3.2mn in loan repayments to CDB, Kuwait Fund and Deutsche Bank.

Interest and other payments amounted to $87.8mn, with Central Government accounting for 93.0%, of which $47.0mn went to holders of the bond that replaced restructured debt. The Government also paid $15.9mn to bilateral creditors and $17.5mn to multilateral creditors. Interest payments by the financial public sector equaled $4.6mn, most of which went to the Belize Mortgage Company ($4.1mn), while the non-financial public sector made payments to CDB ($1.2mn) and Kuwait Fund ($0.3mn).

With an overall depreciation of the pound sterling, Kuwait dinar and the euro against the US dollar, the values of loans denominated in these currencies were adjusted downwards by $1.4mn.

Table 16: Public Sector and Publicly Guaranteed Debt

	2006	2007	2008
(in millions of BZ dollars)			
Public Sector & Publicly Guaranteed Debt Outstanding (end of period)	**2,431.4**	**2,411.3**	**2,303.3**
Public Sector Debt	**2,299.2**	**2,283.3**	**2,255.2**
External:	**1,971.3**	**1,945.4**	**1,911.0**
Central Government	1,821.0	1,824.0	1,817.6
Non-Financial Public Sector	42.3	38.3	35.1
Financial Public Sector	108.1	83.1	58.3
Development Finance Corporation	106.8	82.2	57.8
Of which is Bonds:	*58.2*	*49.7*	*40.3*
Central Bank of Belize	1.3	0.9	0.5
Domestic:	**327.9**	**337.9**	**344.2**
Central Government	299.9	322.0	332.8
Other Public Sector	28.0	15.9	11.4
Publicly Guaranteed Debt	**132.2**	**128.0**	**48.1**
External:	**96.4**	**86.9**	**47.1**
Other Public Sector	0.4	0.4	0.4
Privatized Enterprises	64.5	60.4	22.6
Private Enterprises	31.5	26.1	24.1
Domestic:	**35.8**	**41.1**	**1.0**
Private Enterprises(1)	35.8	41.1	1.0
(in percent of GDP)			
Public Sector & Publicly Guaranteed Debt Outstanding (end of period)	**100.2**	**94.4**	**83.0**
Public Sector Debt	**94.8**	**89.4**	**81.3**
External:	**81.3**	**76.2**	**68.9**
Central Government	75.1	71.4	65.5
Non-Financial Public Sector	1.7	1.5	1.3
Financial Public Sector	4.5	3.3	2.1
Domestic:	**13.5**	**13.2**	**12.4**
Central Government	12.4	12.6	12.0
Other Public Sector	1.2	0.6	0.4
Publicly Guaranteed Debt	**5.4**	**5.0**	**1.7**
External:	**4.0**	**3.4**	**1.7**
Other Public Sector	0.0	0.0	0.0
Debt for Privatized Enterprises	2.7	2.4	0.8
Private Enterprises	1.3	1.0	0.9
Domestic:	**1.5**	**1.6**	**0.0**
Private Enterprises	1.5	1.6	0.0

Sources: CBB, Ministry of Finance

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

Supervision of Banks, Financial Institutions & Credit Unions

A deteriorating global environment and domestic developments associated with the change of government presented fresh challenges for the Central Bank's management in 2008. The latter brought to light a controversial transaction in which official grant funds had been diverted to repay a private sector debt in contravention of the grantor's specific written instructions. Since there was no documentation to show that the receiving commercial bank had been given the appropriate authorization, the Central Bank issued two directives specifying that the funds should be returned to the government. These directives were challenged in the courts which subsequently ruled that the matter should be decided by the Banks and Financial Institutions Appeal Board before any recourse to the judiciary is made. The bank in question subsequently lodged its appeal with the Board while simultaneously challenging the constitutionality of Section 71 of the Banks and Financial Institutions Act (BFIA) as well as the appointment of the Appeal Board in the courts. The hearing of the Appeal Board was therefore suspended pending the outcome of the constitutional challenge.

The sequence of events served to highlight certain deficiencies in the BFIA and the need for legislative strengthening as a matter of priority. Notwithstanding these skirmishes, the Central Bank was able to maintain its primary focus of ensuring that the institutions under its regulatory purview are managed in a safe and sound manner in accordance with the existing laws. As well as periodic onsite examinations, continuous off site monitoring was conducted facilitated by the regular submission of prudential returns by these institutions. International best standards and best practices were encouraged, and compliance with applicable laws was enforced.

With respect to the global financial crisis, while it was impossible for the financial system to be completely insulated from the turmoil, the local effects were contained to a minimum since the Banks and Financial Institutions Act and the Exchange Control Regulations ensures that speculative flows are not allowed within the banking system. Local commercial banks relied largely on domestic

Table 17: List of Banks and Financial Institutions

Domestic Banks	International Banks	Financial Institutions
Alliance Bank of Belize Ltd.	Atlantic International Bank Ltd.	Unit Trust Corp. (Belize) Ltd.
Atlantic Bank Ltd.	Belize Bank International Ltd.	
Belize Bank Ltd.	Caye International Bank Ltd.	
First Caribbean Int'l Bank (Barbados) Ltd.	Choice Bank Ltd.	
Scotiabank (Belize) Ltd.	Handels Bank & Trust Company Ltd.	
	Market Street Bank Ltd.	
	The Oxxy Bank Ltd.	
	Provident Bank & Trust of Belize Ltd.	

Table 18: List of Credit Unions

Belize Credit Union League	Holy Redeemer Credit Union Ltd.	St. John's Credit Union Ltd.
Blue Creek Credit Union Ltd.	La Inmaculada Credit Union Ltd.	St. Martin's Credit Union Ltd.
Citrus Growers & Workers Credit Union Ltd.	Mount Carmel Credit Union Ltd.(1)	Toledo Teachers Credit Union Ltd.
Civil Service Credit Union Ltd.	Police Credit Union Ltd.(1)	Wesley Credit Union Ltd.
Evangel Credit Union Ltd.	St. Francis Xavier Credit Union Ltd.	

(1) Registered active credit unions remained at fourteen, although Mount Carmel Credit Union Ltd. and Police Credit Union Ltd. are under administration.

deposits to fund their operations and liquidity was therefore not affected by the international credit crunch. At the end of December the domestic commercial banks reported capital to risk weighted assets ratios ranging from 10.2% to 22.2%, well above the 8% minimum requirement established by BASLE. All of the domestic banks also held comfortable liquidity positions.

The safety of the financial system was also fostered by the Central Bank's use of a risk focused approach during its on-site examinations of two domestic banks, a related subsidiary bank, two international banks and two credit unions in 2008. These reviews evaluated statutory compliance, adherence to anti-money laundering/counter terrorism financing regulations, institutional viability and prudential performance as it relates to solvency, liquidity, capital adequacy and risk management.

Seven applications from banks for extensions of credit facilities that exceeded 25% of their paid-up and unimpaired capital and reserves were received and processed. Of these, approval was granted for domestic banks to advance BZ$132.7mn and for international banks to advance US$25.2mn to specific customers.

In other developments, while the number of licensed domestic banks remained at five during the year, a Class 1 financial institution licence was granted to MicRoe Finance Company Limited in October. Work also continued on the processing of three applications for international banking licences received in the previous year. After receiving its "A" Class international banking licence in December 2007, Choice Bank Limited began operations in April 2008, while Scotiabank (Belize) International Limited was granted approval for an "A" Class international banking licence. The latter should commence operations once all pre-opening conditions are satisfied. On the other hand, Investment & Commerce Bank Limited, another international bank, completed voluntary winding-up procedures, while a second international bank, The Oxxy Bank Limited, is in the process of voluntary winding-up.

The Inter-American Development Bank

Chart 22: Domestic Banking System - Capital Adequacy

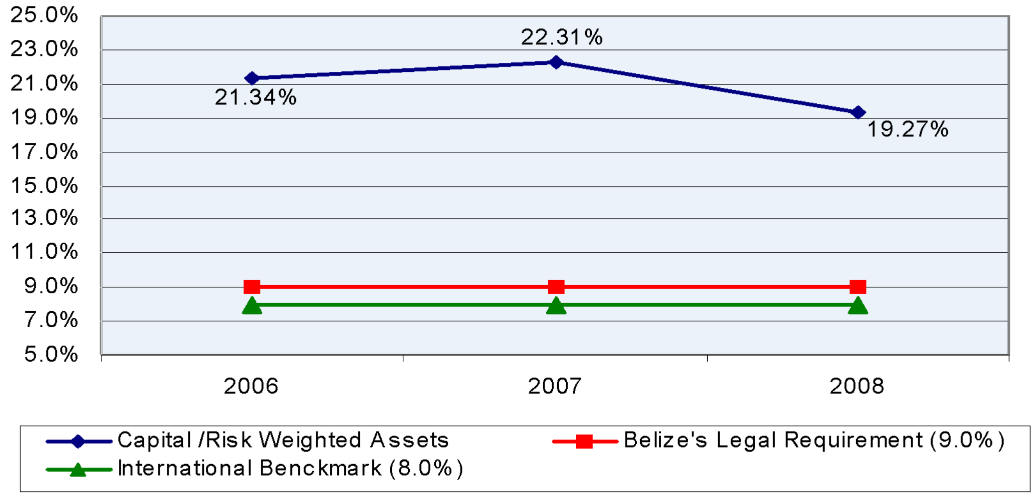


Chart 23: Domestic Banking System - Efficiency

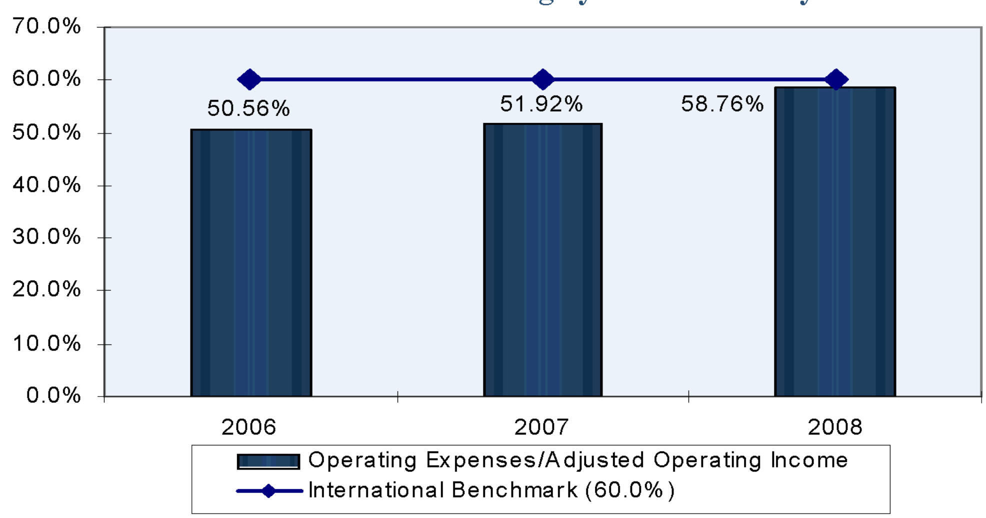
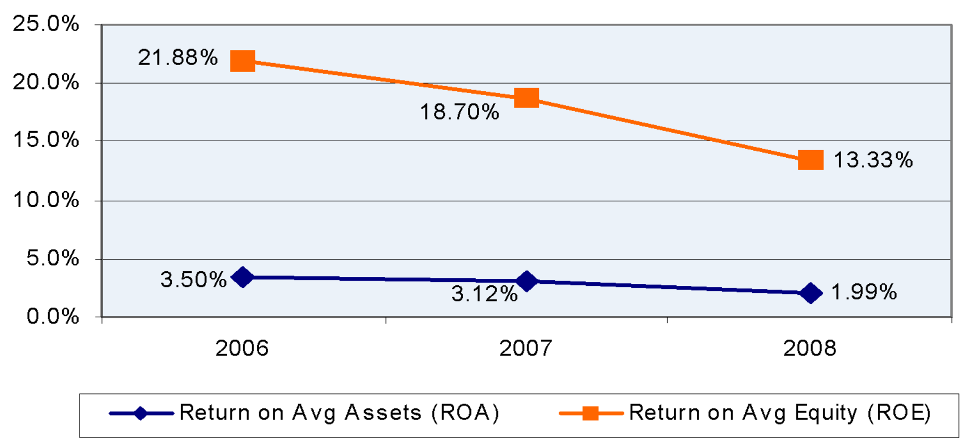


Chart 24: Domestic Banking System - Profitability



Technical Assistance for Banking and Non-Banking Supervision Project which was scheduled to end in December 2007 was extended until August 2008. The Project improved the supervision of Belize's financial system and included the initiation of three new in-country training and technical assistance programs, the completion of training in Microfinance Regulation and the procurement of hardware for establishing a Remote Access Infrastructure. The three training programs were conducted by Bankworld Incorporated, a financial services consulting firm which specializes in training of commercial and central banks and the Microfinance Regulation training was completed by the IRIS Center, an NGO which specializes in micro-finance training.

Operations

Foreign Exchange Operations

In 2008, the Central Bank's foreign currency trading in dollars (US and Canadian) and Pound Sterling yielded net purchases of $114.5mn with purchases exceeding sales in eight out of the twelve months. Significant inflows included net purchases of US$54.4mn from commercial banks, US$26.4mn from Belize Natural Energy and US$25.8mn from BSI. Among the other notable inflows were a loan disbursement of US$4.5mn in January, grants of US$12.5mn received in July and September from ROC/ Taiwan, and US$10.0mn received from Belize Bank Ltd. in August as the Venezuelan housing funds were returned to the government. The largest external payments consisted of the semi annual interest paid in February and August to foreign bond holders of government's restructured debt.

Trading in CARICOM currencies was mostly for settlement of official transactions and resulted in net sales of $2.6mn 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% of the currency notes and coins in circulation and the Central Bank's domestic deposit liabilities. This ratio was maintained above the legal threshold throughout the year, and while fluctuating, trended upwards largely in response to improvements in external assets arising from the substantial foreign inflows into the Central Bank. The ratio fell in February to 45.2% due to sizeable payments made to government's external creditors that included bond holders of the restructured debt. In March, a further dip occurred to its lowest level (43.6%) because of an increase in currency in circulation during the Easter

Chart 25: Central Bank Dealings in Foreign Exchange

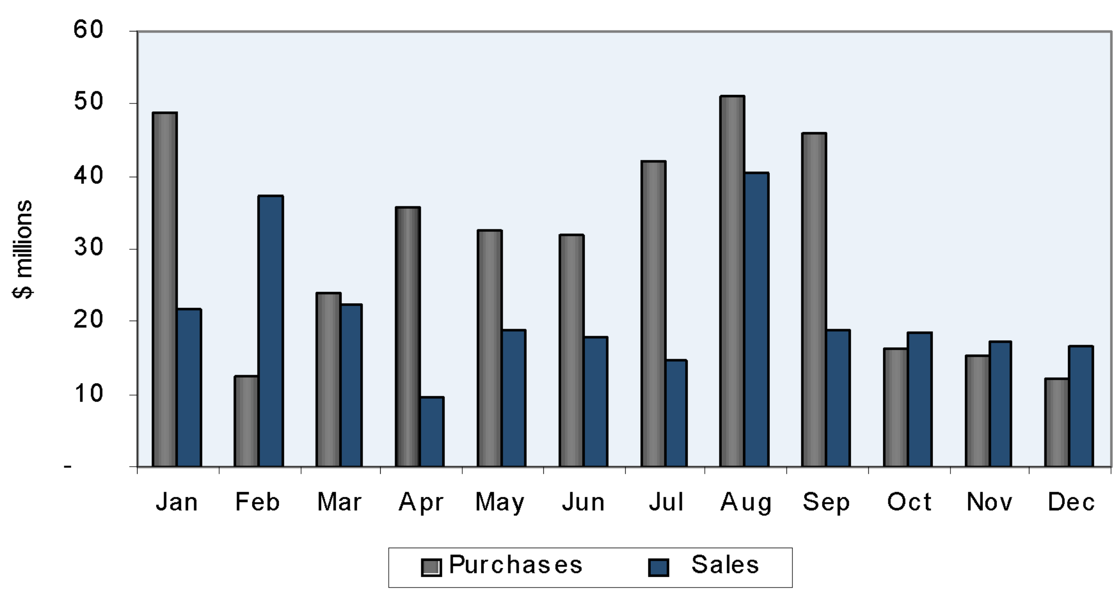
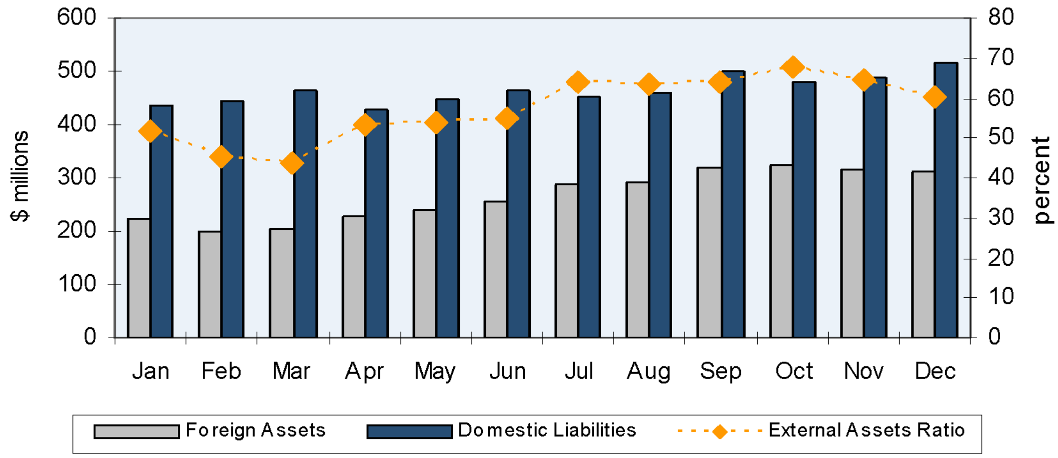


Chart 26: External Asset Ratio



month and a liquidity buildup by the commercial banks. It was at its highest in October (67.7%) due to a sharp fall in the domestic deposit liabilities as commercial banks significantly boosted their holdings of government securities, while reducing cash deposits at the Central Bank. By year-end, the ratio had leveled at 60.2% in response to scheduled external debt payments for government and the seasonal increase in currency in circulation during the Christmas period. At the end of December, the Central Bank's external assets amounted to $311.4mn that consisted of 90.6% in cash and fixed deposits, 7.1% in foreign securities and 2.3% in holdings of SDR with the International Monetary Fund.

Relations with Commercial Banks

Cash Balances

The commercial banks' cash reserve requirement remained unchanged at 10.0% throughout 2008. During the first half of the year when foreign inflows into the banking system from exports of goods and services were at their highest, the banks' cash holdings

Table 19: Commercial Bank Balances with the Central Bank

$mn

MONTH	Average Deposit Liabilites	Required Cash Reserves	Actual Cash Holdings	Excess/ (Deficit)
January	1,587.3	158.7	169.7	11.0
February	1,606.7	160.7	170.0	9.3
March	1,631.9	163.2	178.8	15.6
April	1,671.8	167.2	183.2	16.0
May	1,693.7	169.4	195.3	25.9
June	1,724.7	172.4	203.0	30.6
July	1,737.2	173.7	188.9	15.2
August	1,760.6	176.1	189.7	13.6
September	1,767.6	176.8	195.4	18.6
October	1,781.6	178.2	188.3	10.1
November	1,775.8	175.6	181.9	6.3
December	1,770.7	177.1	192.2	15.1

Table 20: Currency in Circulation

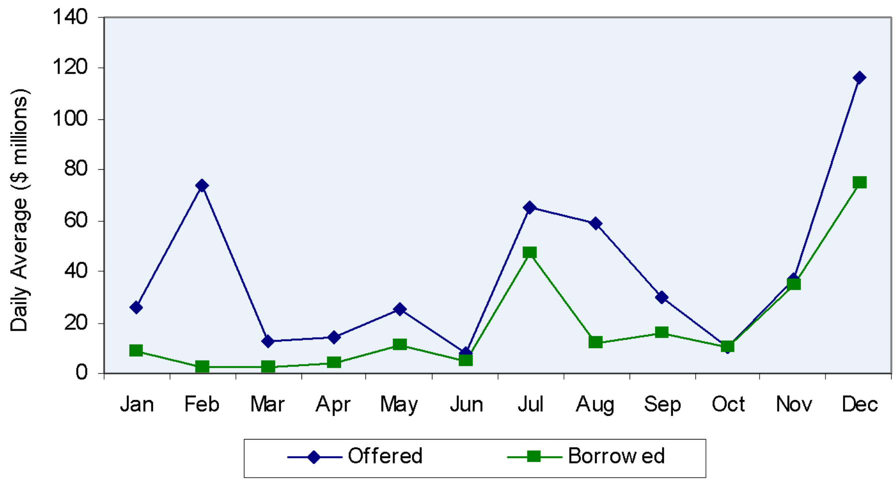
$mn

MONTH	Notes	Coins	Total	Commercial Bank Vault Cash	Currency with the Public
January	163.6	17.2	180.8	32.1	148.7
February	163.6	17.3	180.9	26.4	154.5
March	169.3	17.5	186.8	31.7	155.1
April	163.2	17.6	180.8	31.4	149.4
May	163.1	17.8	180.9	25.9	155.0
June	161.6	17.8	179.4	26.9	152.5
July	158.0	17.9	175.9	31.7	144.2
August	160.6	18.0	178.6	29.2	149.4
September	155.6	18.0	173.6	30.3	143.3
October	155.3	18.0	173.3	28.2	145.1
November	161.1	18.0	179.1	30.2	148.9
December	175.0	18.2	193.2	39.3	153.9

at the Central Bank increased consistently. Monthly excess cash holdings averaged $18.1mn during this period, peaking in June at $30.6mn. Lending activity and increased purchases of government securities during the second semester brought down the average monthly excess holdings to $13.2mn. November was the month with the smallest excess cash holdings, which partly reflected the decision by commercial banks to minimize their excess cash balances with the Central Bank, while boosting their holdings of government securities from $56.7mn in September to over $80.0mn. Commercial banks' sale of foreign exchange to the Central Bank to meet cash reserve requirements increased by $34.3mn over 2007, with most of the sales occurring in the first part of the year. In the second half of the year that includes the off peak tourism season, these sales tapered off while activity in the interbank market rose.

At the end of December, currency in circulation was $7.4mn (4.0%) higher than in December 2007 entirely due to an increase in commercial bank vault cash since currency held by the public remained virtually flat. Unlike the previous year when currency held by the public trended generally upward, fluctuations in 2008 were in a relatively narrow range about the monthly average of $150.0mn with a high of $155.1mn and a low of $143.3mn. Vault cash holdings were also relatively stable throughout the year until December, when holdings rose sharply by $9.1mn to its highest level. The ratio of notes and coins was relatively constant with notes accounting for approximately 90% of the currency issue. The demand for currency peaked in March, the Easter season, and increased once again in December, a peak sales period for businesses. Currency holdings with the public was at its highest in March, May, February and December in descending order of magnitude and was at its lowest in September and October.

Chart 27: Inter-bank Market Activity



Inter-Bank Market

Inter-bank lending activity accelerated further in 2008 with commercial banks routinely utilizing the facility each month to maintain their cash balances at the Central Bank within the required level. Borrowing was more low-keyed during the first semester because of the seasonal build-up in bank liquidity. However, the volumes borrowed picked up markedly in the second half of the year, when credit growth continued to expand and foreign inflows tightened. An average of approximately four loans was made each month with activities for the year summing to 84 offers and 44 loans. While the typical offer was for approximately $5.7mn, actual loans worked out to an average of $5.2mn extended over an average period of fifteen days. This compared favorably with 2007 when actual loans averaged $3.3mn and the average loan period was eleven days.

Chart 28: Central Bank Holdings of Government Securities

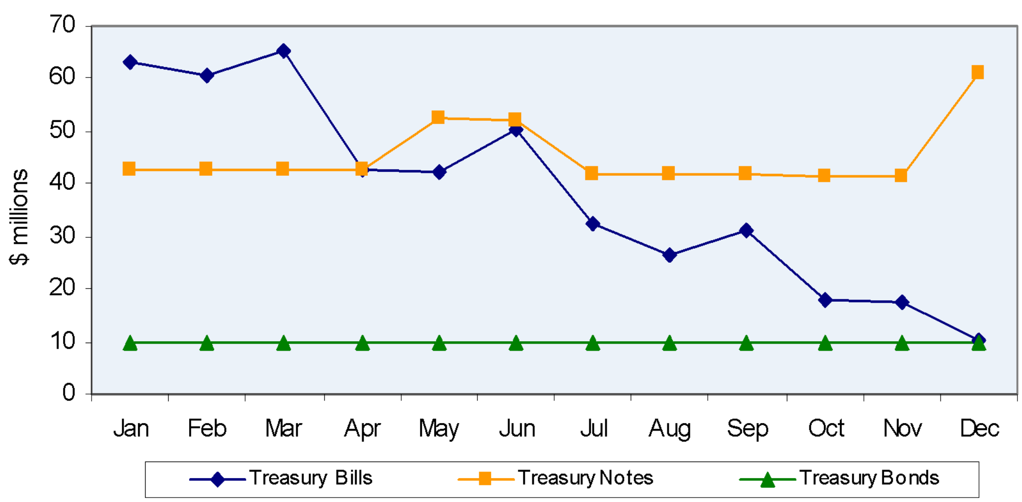
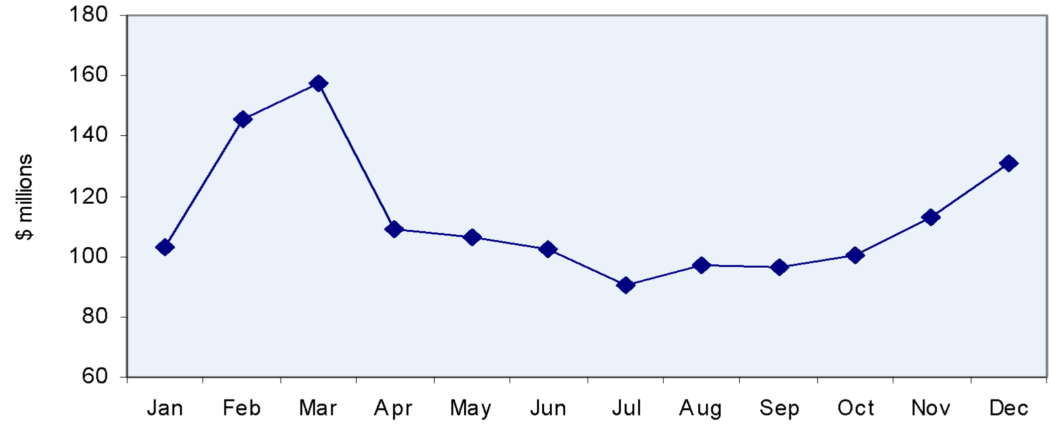


Chart 29: Central Bank Overdraft Financing to Central Government



Transactions with Central Government

Under Section 34 of the Central Bank of Belize Act, 1982 as amended in 1993, the Central Bank may extend advances to Government up to a maximum of 20% of current revenue collected during the preceding financial year. Up to March, the legal ceiling was $117.3mn and in April, this increased by $17.7mn to $135.0mn. In February and March, the government exceeded its overdraft limit largely to meet external debt payments with advances peaking at $157.0mn in March. Thereafter, the overdraft balance fell consistently in the next four months to its lowest level of $91.0mn in July due to improvements in government's revenues arising mostly from petroleum royalties/taxes, the general sale tax (GST) and a substantial grant receipt. The return of the Venezuelan housing funds in August and receipt of the second tranche of the ROC/Taiwan grant in September enabled the government to keep its Central Bank advances below $100.0mn in those months. By year-end, however, the overdraft balance had risen to $131.0mn with the largest increase occurring in December as government paid off all its Atlantic Bank's loans and met its external debt payments.

Treasury Bills

The value of Treasury bills available for trade in the secondary market remained at $100.0mn, the level to which it had been raised in 2006. The yield also remained fixed at the 3.25% set in November 2002. During the year, the Central Bank and three commercial banks dominated the markets, although three insurance companies also participated on a very limited scale. In contrast to the previous year when monthly holdings of Treasury bills averaged $66.1mn, the Central Bank's average monthly holdings fell to $38.7mn as the commercial banks increased their purchases during the year. In October, the amount held by the commercial banks rose sharply by $23.4mn to $80.2mn, and this increased further to $88.6mn in December, leaving Central Bank with only

$10.1mn and smaller investors with $1.3mn.

Treasury Notes

At the start of the year, $56.8mn in Treasury notes was outstanding. In December, this amount rose to $66.8mn as government issued another $10.0mn in one-year notes, all of which were taken up by the Central Bank. Notwithstanding efforts to widen market participation by institutional and individual investors, trading in Treasury notes was sporadic during 2008. The commercial banks held onto $10.0mn in Treasury notes in nine of the twelve months, divesting the entire amount to the Central Bank in May, June and December. On the other hand, purchases by small investors increased by 32.5% to $5.6mn during the year. At the end of 2008, the Treasury note issue consisted of $35.0mn 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%.

Information Systems

Among the major projects spearheaded by the Information Technology Department (ITD) was the implementation of the SWIFT Relationship Management Application (RMA) in September 2008. The RMA replaced the outdated Bilateral Key Exchange (BKE) method of digital certification and marked the completion of the last milestone of the full SWIFTNET Phase 2 migration project.

After a series of testing, the time and attendance system was implemented in December. The ITD was also instrumental in upgrading the Commonwealth Secretariat's debt recording system, the CS-DRMS application, from version 1.2 to version 1.3 in June 2008 as well as installing a new database server for the Prophecy financial system in the first quarter of 2008.

The ITD completed the improvement of the Central Bank's network infrastructure with the upgrade of the network switches in all the network segments. Two virtual local area networks (VLANs) were introduced in late 2008 as the Central Bank subdivided its physical network into multiple VLANs. These VLANs alleviated the shortage of IP addresses and improved network security. The remote connectivity capability between the Central Bank's staff and its corporate network was fully tested in 2008, and the target date for final implementation will be in the first quarter of 2009.

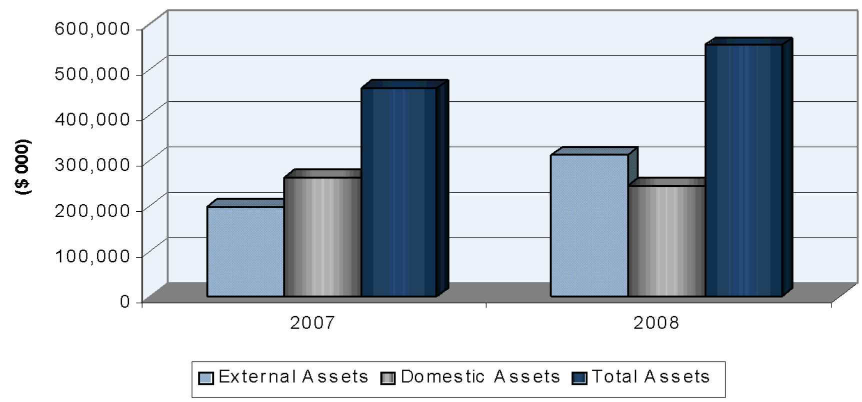
To improve the system's security against virus threats, the ITD introduced a new version of the CA Etrust anti-virus software and upgraded the mechanism to deploy the anti-virus signatures across the network. In addition, a new application and network domain server improved disaster/recovery plans.

Financial Performance

The Central Bank's financial statements for the year ended December 31, 2008 with comparative figures for the previous year are annexed to the report.

was recorded. Gross earnings totaled $25.7mn that included interest income of $24.0mn and $1.7mn in commissions and other income. Domestic operations contributed 78.0% of the Central Bank's earnings with 47.0% coming from its lending to Central Government.

Chart 30: Assets



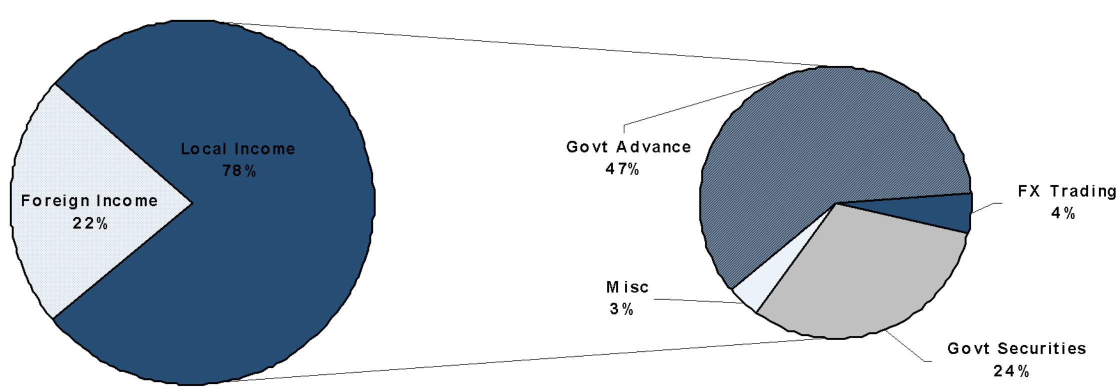
During the year, the Central Bank's assets increased by 20.8% to $554.5mn. The latter reflected an increase of 57.6% (to $311.4mn) in external assets and a decrease of 7.0% (to $243.1mn) in domestic assets.

A net operating surplus of $9.6mn, which was in line with the previous year's performance,

Current expenditure totaled $16.0mn with staff costs, interest payments and other operating cost accounting for 46%, 13% and 41% respectively.

As provided for under Section 9(1) and Section 50 of the Central Bank Act, $0.9mn (10% of the net operating surplus less any

Chart 31: Foreign and Local Income



revaluation loss) will be paid into the Central Bank's General Reserve Fund. The balance of $8.0mn will be transferred to the Accountant General for Government's Consolidated Revenue Fund.

The Board of Directors

In April 2008, a new Board of Directors was appointed. The Board, which is the policy making organ of the Bank, met 11 times during the year and considered 82 submissions.

Internal Audit

Internal Audit continued its initiative to raise awareness of the Enterprise Risk Management (ERM) approach within the Central Bank during the year. Its efforts included conducting an employee survey to establish a baseline position on staff perception of the Central Bank's culture and internal working environment. The survey results highlighted the need for improved information and communication at all levels within the organization. A committee was consequently set up to develop and implement a communication plan that is expected to enhance internal cohesiveness, improve productivity and efficiency and add to job satisfaction.

In addition to its general administrative functions and routine monitoring of Central Bank operations, audits were conducted of the reconciliation process for the 2007 financial accounts, procedures for monitoring compliance with the commercial banks' statutory reserve requirements, the Central Bank's pension fund and the accounts of the Staff Club.

A new Audit Committee was appointed during the year, and Internal Audit provided assistance in the work of updating its Charter and developing a framework for semi-annual reviews of the external auditors. Internal Audit also facilitated the Audit Committee's review of the Central Bank's audited financial statements and management letter.

Human Resources

The work of Human Resources is guided by its mission to improve efficiency and productivity, employee development and satisfaction, and to foster the development of a culture that is conducive to a positive job performance. In addition to its traditional dealings with compensation/benefits and employee relations, the human resource function has been steadily moving towards a more strategic role in planning and decision-making in the Bank.

Aimed at delivering increased value to the Central Bank, several activities and achievements were accomplished in 2008 in terms of strategic commitment.

Training and Development

To support the development of the Central Bank as an organization responsive to individual and organizational needs, human resources engaged in several initiatives aimed at increasing opportunities for professional development. These included a variety of customized training courses and workshops facilitated by the University of the West Indies Open Campus (Belize) to develop competencies in team work, supervision, strategic human resources management and time management. In addition, staff also participated in training on report writing and refresher courses in grammar. Being mindful of its corporate responsibility, the Central Bank trained all staff in basic first aid including cardiopulmonary resuscitation (CPR) with assistance from the Belize Red Cross.

The staff's technical skills and knowledge were also strengthened through other local and overseas training courses. Locally, the University of Belize (UB) faculty of Information Technology facilitated advanced trainings in the Microsoft suite of programs and in-house training was delivered in Crystal Report Writing. To develop in-depth specialization and expertise, a total of twenty-seven staff members, at the management and professional levels, participated in overseas training seminars and workshops in sub-specialties of bank supervision, banking, economic research, internal audit, and information technology.

Employee Relations and Management Services

Under the theme, "What a mind can conceive and believe can be achieved", the Central Bank recognized fourteen employees with 10, 15 and 20 years of service at the Annual Employee Recognition Ceremony. The "Governor's Choice" award that offers an employee a full scholarship to a local university was presented to Mrs. Concepcion Flores, Manager, International Payments Unit in the Research Department. Mrs. Flores has been working with the Central Bank for over twenty-three years. An additional 4 employees were granted various education awards and study leave to pursue higher level education.

A new biometric time and attendance management information system, WinTA, was put into production in the last quarter of 2008. The system is designed to capture employees' time and attendance using a smart card and scanned fingerprint images. This has eliminated manual recording, improved employee punctuality, and facilitated real-time monitoring.

Furthermore, to demonstrate commitment to the wellbeing of its staff, the Central Bank implemented a comprehensive loans policy that introduced residential mortgage loans and improved terms and conditions for consumer loans.

Staffing

In October, the Central Bank welcomed a new executive management. Mr. Glenford Ysaguirre, the Deputy Governor, Operations was appointed Governor while Mrs. Christine Vellos and Mrs. Marilyn Gardiner-Usher were also appointed as Deputy Governor, Economic Intelligence and Deputy

Governor, Operations respectively. The Central Bank bade farewell to some long standing employees including, Mr. Sydney Campbell, Governor, Mr. Marion Palacio, Deputy Governor, Economic Intelligence, and Mrs. Suad Holder, Chief Internal Auditor.

The staff turnover rate increased slightly during the year from 4.0% in 2007 to 5.1% in 2008, with 15 new hires, 3 resignations, 3 contract terminations and 2 retirements. At the end of 2008, the staff complement increased to 161 persons including 10 contract officers, 147 permanent staff members, and 4 temporary persons.

Industrial Relations

On 1 September 2008, negotiations with the Public Service Union that commenced in 2007 were successfully concluded. As part of the agreement, the Central Bank's Board of Directors approved a salary increase as well as improved benefits for the security staff members who comprised the bargaining unit.

Corporate Relations

In support of the development of national education, 1 student at the university level and 5 from junior colleges were accepted for temporary by the Central Bank to meet their core requirements for graduation through participation in tertiary level internship programs. Meanwhile, at the secondary level, 3 senior students participated in the work-study programs at the Bank and 8 tertiary level students were given the opportunity to develop their practical skills under the Central Bank's Summer Employment Program.

To recognize World Diabetes Day, a staff member voluntarily facilitated an awareness program by testing the blood glucose level for 60 staff members. In addition, a total of 24 staff members participated in the Belize Cancer Society's Annual Walk and 31 staff members volunteered blood donations to the Belize Blood Bank. As is now customary, the staff gave generously to the annual Salvation Army Christmas Appeal, donating the highest amount to date.

Staff Club

The mission of the Staff Club is to promote unity among staff, by improved internal and external relations, and mental and physical well being through coordination of social and recreational activities. Consequently, in addition to organizing social activities for staff, the Club engaged in several community services including coordinating relief efforts for Belizean flood victims, visits to geriatric centers and the orphanage, and providing assistance to two needy families.

Communications

In today's business environment effective internal and external communication has significant impact on the accomplishment of the organization's strategic goals. Under the patronage of the Deputy Governor, Operations, a project team was consequently appointed to develop a comprehensive communications plan. The plan is expected to be completed by the end of the second quarter in 2009 and will provide a framework to develop and coordinate all internal and external communication. It is expected that in addition to facilitating appropriate responses to internal and external threats, the project will promote the sharing and dissemination of vital information to staff with the aim of improving their productivity, morale, job satisfaction, commitment, and teamwork. It is also hoped that the Central Bank's external communications will improve with the delivery of timely and accurate information to all domestic and international stakeholders.

Box 4: Meetings and Conferences Attended by the Governor and Deputy Governors

Name of Meeting/Conference	Month	Place
6th Annual Bear Stearns Latin American & Caribbean Markets Conference	January	Miami, USA
2008 Leadership Best Practices Program at Harvard Business School	February	Boston, USA
CCMS 12th Annual Senior Level Policy Seminar Meeting on Monetary Union at Central Bank of Trinidad & Tobago	May	Port of Spain, Trinidad
Meeting of CARICOM Central Bank Governors	May	Port of Spain, Trinidad
BIS Meeting on Research Management	June	Cusco, Peru
Federal Reserve Bank of New York Meeting Central Bank Seminar at Federal Reserve Bank	October	New York City, USA
Meeting of CARICOM Central Bank Governors	October/November	Port of Spain, Trinidad
CARTAC Steering Committee Meeting	November	Nassau, Bahamas
CEMLA's XII Meeting on Central Bank Communications and Seminar on Web Technologies	November/December	Rio de Janeiro, Brazil

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 A.1: GDP by Activity at Current and Constant 2000 Prices

$mn

	2004	2005	2006	2007	2008
GDP at current market prices	**2,110.4**	**2,229.6**	**2,426.2**	**2,553.5**	**2,773.4**
GDP at constant 2000 market prices	**2,099.5**	**2,163.1**	**2,263.8**	**2,291.3**	**2,339.0**
Primary Industries	**371.4**	**382.4**	**358.1**	**283.9**	**256.6**
Agriculture, hunting & forestry	237.6	235.5	233.7	230.4	207.0
Fishing	133.8	146.9	124.4	53.5	49.6
Secondary Industries	**326.6**	**315.9**	**395.8**	**404.9**	**463.4**
Manufacturing (incl. mining and quarrying)	187.5	179.9	234.8	243.8	275.6
Electricity & Water	64.3	64.0	90.4	92.6	95.2
Construction	74.7	72.0	70.6	68.5	92.6
Tertiary Industries	**1,113.0**	**1,172.7**	**1,192.5**	**1,250.1**	**1,285.8**
Wholesale & retail trade	306.1	322.6	326.6	331.7	343.9
Hotels & restaurants	84.4	88.1	87.5	92.0	89.3
Transport & Communications	201.1	218.8	226.4	256.0	268.7
Other Private Services excl. FISIM	326.2	345.1	364.3	373.8	382.4
Producers of Government Services	195.3	198.0	187.7	196.6	201.5
All Industries at basic prices	**1,810.5**	**1,878.0**	**1,955.4**	**1,949.4**	**2,005.8**
Taxes less subsidies on products	289.0	285.1	308.3	337.2	333.2

Source: Statistical Institute of Belize

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

Percent

	2004	2005	2006	2007	2008
GDP at current market prices	**6.8%**	**5.6%**	**8.8%**	**5.2%**	**8.6%**
GDP at constant 2000 market prices	**4.6%**	**3.0%**	**4.7%**	**1.2%**	**2.1%**
Primary Industries	**9.5%**	**3.0%**	**-6.4%**	**-20.7%**	**-9.6%**
Agriculture, hunting & forestry	11.9%	-0.9%	-0.8%	-1.4%	-10.2%
Fishing	5.5%	9.8%	-15.3%	-57.0%	-7.4%
Secondary Industries	**7.2%**	**-3.3%**	**25.3%**	**2.3%**	**14.4%**
Manufacturing (incl. mining and quarrying)	11.8%	-4.1%	30.5%	3.8%	13.0%
Electricity & Water	-1.5%	-0.5%	41.3%	2.4%	2.8%
Construction	4.6%	-3.6%	-2.0%	-3.0%	35.2%
Tertiary Industries	**3.2%**	**5.4%**	**1.7%**	**4.8%**	**2.9%**
Wholesale & retail trade	-0.1%	5.4%	1.2%	1.6%	3.7%
Hotels & restaurants	8.3%	4.5%	-0.7%	5.1%	-3%
Transport & Communications	5.0%	8.8%	3.5%	13.1%	-4.9%
Other Private Services excl. FISIM	5.3%	5.8%	5.6%	2.6%	2.3%
Producers of Government Services	1.3%	1.4%	-5.2%	4.7%	2.5%
All Industries at basic prices	**5.2%**	**3.7%**	**4.1%**	**-0.3%**	**2.9%**
Taxes less subsidies on products	1.4%	-1.3%	8.1%	9.4%	-1.2%

Source: Statistical Institute of Belize

Table A.3: Bona fide Tourist Arrivals & Expenditure

	2006	2007	2008
Stayover Arrivals			
Air	179,892	184,332	179,032
Land	49,398	47,253	46,135
Sea	8,550	9,990	9,540
Total stayovers	**237,839**	**241,575**	**234,706**
Cruise Ship Arrivals	**590,338**	**560,478**	**537,632**
Tourist Expenditure ($mn)	*509.4*	*567.2*	*550.4*

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

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

Major Commodity	Weights	Feb-08	May-08	Aug-08	Nov-08	Inflation Rate
Food, Beverage and Tobacco	346.6	3.6	4.3	5.8	0.9	13.3
Clothing and Footwear	92.0	-0.7	-0.1	-0.1	-1.0	-0.9
Rent, Water, Fuel and Power	167.0	-0.3	1.0	0.7	-1.4	3.6
Household goods & Maintenance	85.3	0.2	1.3	0.5	-1.0	1.9
Medical Care	20.1	1.4	0.7	1.4	-1.1	3.0
Transport and Communication	170.1	0.2	5.5	1.3	-12.7	3.5
Recreation , Education, Culture	80.4	0	0.8	0.2	0.3	0.7
Personal Care	37.9	-0.1	1.9	1.3	0.3	2.1
All items	**1000.0**	**1.3**	**3.1**	**2.7**	**-2.7**	**6.4**

Source: SIB

Table A.5: Balance of Payments - MerchandiseTrade

$mn

	2006	2007	2008	Change
Goods Exports, f.o.b.	**854.3**	**851.1**	**929.5**	**9.2%**
of which: Domestic Exports	543.4	496.6	557.8	12.3%
CFZ sales	277.0	310.5	330.3	6.4%
Other Re-exports	33.9	44.0	41.3	-6.2%
Goods Imports, f.o.b.	**1,223.9**	**1,284.0**	**1,576.3**	**22.8%**
of which: Free Circulation Area	1021.3	1044.5	1,292.6	23.8%
CFZ(1)	202.6	239.6	283.6	18.4%
Merchandise Trade Balance	**-369.6**	**-432.9**	**-646.8**	**49.4%**

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

Table A.6: Domestic Exports

$mn

	2006	2007	2008
Traditional Exports	**436.2**	**348.9**	**320.8**
Sugar	100.1	88.1	71.4
Citrus Juices(1)	120.1	106.1	89.7
Citrus Concentrate	*120.1*	*106.1*	*89.7*
Not-from-Concentrate	*0.0*	*0.0*	*0.0*
Molasses(1)	6.3	5.8	3.6
Bananas	50.6	39.8	64.0
Marine(1)	91.6	64.2	69.5
Garments	36.6	18.8	0.3
Papayas	31.0	26.1	22.4
Petroleum(2)	**77.0**	**122.1**	**203.2**
Non-traditional Exports	**30.3**	**25.6**	**33.8**
Total Exports	**543.4**	**496.6**	**557.8**

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 A.7: Exports of Sugar and Molasses

	2006		2007		2008	
	Volume (long tons)	Value ($'000)	Volume (long tons)	Value ($'000)	Volume (long tons)	Value ($'000)
Sugar(1)	**96,309**	**100,065**	**83,132**	**88,142**	**66,277**	**71,384**
E.U.	55,567	65,330	67,187	75,105	65,625	70,751
USA	18,794	17,505	13,143	10,302	0	0
CARICOM	19,660	15,044	2,215	2,160	310	302
Other	2,288	2,186	587	575	341	330
Molasses(2)	**35,100**	**6,264**	**41,097**	**5,805**	**32,843**	**3,559**

Sources: Belize Sugar Industries, SIB

(1) Reflects value of export shipments.

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

Table A.8: Exports of Bananas

	2006	2007	2008 (1)
Volume (metric tons)	**70,971**	**61,811**	**77,934**
Value ($mn)	**50.3**	**39.8**	**64.0**

Source: SIB

(1) Adjusted for the US $0.24 per 40 pound box to cover out of quota tariff costs for the 2007 shipments.

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

	2006	2007	2008
Concentrate ('000 ps)	**42,793**	**32,399**	**37,115**
Orange	36,156	28,819	31,012
Grapefruit	6,637	3,580	6,103
Concentrate value ($mn)	**120.1**	**106.1**	**89.7**
Orange	94.9	94.3	76.6
Grapefruit	25.2	11.9	13.1
Not-from-concentrate Exports ('000 ps)	**1**	**0.0**	**1.5**
Orange	1	0.0	1.5
Grapefruit	0	0.0	0.0
Not-from-concentrate Value ($mn)	**0.0**	**0.0**	**7.4**
Orange	2.1	0.0	7.4
Grapefruit	0.0	0.0	0.0
Pulp Export ('000 pounds)	**2,002**	**2,287**	**1,726**
Pulp Value ($mn)	**1.1**	**1.5**	**1.3**

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 A.10: Exports of Marine Products

	2006		2007		2008	
	Volume *('000 lbs)*	Value *($'000)*	Volume *('000 lbs)*	Value *($'000)*	Volume *('000 lbs)*	Value *($'000)*
Lobster Tail	392.44	13,884	443	15,997	429.91	14,665
Lobster Head	6	43	15	99	19.2	144
Shrimp[1]	17,662	68,082	11,885	41,741	10,467	43,786
Conch	707	8,109	526	5,389	649	6640
Whole/Fillet Fish	540	1,210	363	928	2602	4,272
Other	25.3	250	3	20	0	0
Total	**19,333**	**91,578**	**13,235**	**64,174**	**14,166**	**69,507**

Source: SIB

(1) Data reflect actuals sales and not export shipments as reported by SIB.

Table A.11: Other Major Exports

	2006	2007	2008
Garments			
Volume (mn lbs)	3.6	1.7	0.03
Value ($mn)	36.6	18.8	0.3
Papayas			
Volume ('000 lbs)	76,004	72,943	63,716
Value ($mn)	31	26.1	22.4
Petroleum [1]			
Volume (barrels)	714,004	956,476	1,189,587
Value ($mn)	77.0	122.1	203.2

Source: SIB

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

Table A.12: Gross Imports (CIF) by SITC Categories

$mn

SITC Category	2004	2005	2006	2007	2008
0 Food and Live Animals	109.2	120.7	118.2	135.6	160.2
1 Beverages and Tobacco	9.8	10.5	11.2	12.2	15.5
2 Crude Materials	7.3	9.1	10.9	12.9	12.7
3 Fuels and Lubricants	184.3	236.0	246.5	266.0	337.5
Of which electricity	*29.7*	*40.3*	*33.2*	*46.4*	*66.3*
4 Animal and Vegetable Oils	3.2	3.2	3.9	4.0	5.8
5 Chemicals	76.3	88.7	93.6	102.0	118.1
6 Manufactured Goods	136.8	138.9	164.2	164.2	230.9
7 Machinery and Transport Equipment	175.9	199.8	219.1	251.2	351.6
8 Miscellaneous Manufactured Goods	81.8	101.1	102.4	101.8	100.0
9 Commodities - not classified elsewhere	0.0	0.0	0.0	0.0	1.6
Export Processing Zones	113.8	124.7	157.9	98.5	91.8
Personal Goods	2.6	2.7	3.4	3.3	3.3
Total	**901.1**	**1,035.4**	**1,131.4**	**1,151.8**	**1,428.9**
CFZ Direct Imports	156.6	190.7	222.6	263.3	311.7
Grand Total	**1,057.7**	**1,226.1**	**1,354.0**	**1,415.1**	**1,740.6**

Sources: SIB, CBB

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

$mn

	2006			2007			2008		
	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net
Services	**725.8**	**304.3**	**421.4**	**796.2**	**336.3**	**459.8**	**777.6**	**338.7**	**438.9**
Transportation	57.1	109.1	-52.0	59.8	113.8	-54.0	50.0	138.9	-88.8
Travel	520.2	82.1	438.0	577.3	85.5	491.8	562.2	81.6	480.6
Other Goods and Services	100.9	95.4	5.5	100.7	118.7	-18.0	104.0	100.8	3.1
Govt. Goods and Services, N.I.E	47.6	17.7	29.9	58.3	18.3	40.0	61.4	17.4	44.0
Income	**20.2**	**270.8**	**-250.6**	**13.9**	**331.8**	**-317.9**	**11.7**	**334.4**	**-322.7**
Labour Income	11.9	11.4	0.5	4.7	10.4	-5.7	4.7	12.5	-7.8
Investment Income(1)	8.3	259.4	-251.1	9.2	321.4	-312.2	7.0	321.9	-314.9
Current Transfers	**184.3**	**36.4**	**147.9**	**273.1**	**86.3**	**186.8**	**282.2**	**59.1**	**223.1**
Government	21.8	4.9	17.0	81.9	50.3	31.6	56.5	11.3	45.1
Private	162.5	31.5	131.0	191.2	36.0	155.2	225.7	47.7	178.0

(1) Data includes an estimate for profit remittances from the tourism industry.

Table A.14: Balance of Payments - Capital and Financial Accounts

$mn

	2006 Net	2007 Net	2008 Net
CAPITAL ACCOUNT	**18.3**	**8.2**	**18.1**
General Government	16.1	6.9	16.8
Other Sectors	2.2	1.3	1.3
FINANCIAL ACCOUNT	**148.2**	**219.5**	**418.1**
Direct Investment Abroad	-1.1	-2.0	-5.5
Direct Investment in Belize	217.7	280.7	357.5
Portfolio Investment Assets	-0.5	-0.8	5.8
Portfolio Investment Liabilities	-42.7	158.3	-5.5
Financial Derivatives Assets	0.0	0.0	0.0
Financial Derivatives Liabilities	0.0	0.0	0.0
Other Investment Assets	-27.2	9.4	-26.9
Monetary Authorities	24.3	37.1	0.1
General Government	6.9	-3.8	-3.1
Banks	-32.8	-22.9	-32.2
Other Sectors	-25.6	-0.9	8.3
Other Investment Liabilities	2.1	-226.2	92.6
Monetary Authorities	-0.4	0.0	0.8
General Government	64	-175.8	-15.9
Banks	-64.5	-58.5	72.8
Other Sectors	3.0	8.1	34.9
CHANGES IN RESERVES (Minus = Increase)	**-99.6**	**-45.8**	**-115.2**

Table A.15: Official International Reserves

$mn

	Position as at			Changes during 2008
	Dec-06	Dec-07	Dec-08	
Gross Official International Reserves[1]	**171.3**	**217.1**	**332.3**	**115.2**
Central Bank of Belize	**153.1**	**197.6**	**311.4**	**113.7**
Holdings of SDRs	5.816	6.8	7.1	0.3
IMF Reserve Tranche	12.796	13.4	13.0	-0.4
Other	134.5	177.4	291.2	113.8
Central Government	**18.2**	**19.4**	**20.9**	**1.5**
Foreign Liabilities	**2.4**	**2.4**	**3.2**	**0.8**
CARICOM	0.2	0.0	0.9	0.9
Other	2.2	2.4	2.2	-0.2
Net Official International Reserves	**168.9**	**214.7**	**329.1**	**114.5**

(1) These numbers reflect only usable reserves as defined by BPM5.

Table A.16: Balance of Payments Summary

$mn

	2006	2007	2008
CURRENT ACCOUNT	**-50.8**	**-104.2**	**-307.4**
Goods: Exports f.o.b.	854.3	851.1	929.5
Goods: Imports f.o.b.	-1223.9	-1,284.0	-1,576.3
Trade Balance	-369.6	-432.9	-646.8
Services: Credit	725.8	796.2	777.6
Transportation	57.1	59.8	50.0
Travel(1)	520.2	577.3	562.2
Other Goods & Services	100.9	100.7	104.0
Gov't Goods & Services	47.6	58.3	61.4
Services: Debit	-304.3	-336.3	-338.7
Transportation	-109.1	-113.8	-138.9
Travel	-82.1	-85.5	-81.6
Other Goods & Services	-95.4	-118.7	-100.8
Gov't Goods & Services	-17.7	-18.3	-17.4
Balance on Goods & Services	51.9	27.0	-207.9
Income: Credit	20.2	13.9	11.7
Compensation of Employees	11.9	4.7	4.7
Investment Income	8.3	9.2	7.0
Income: Debit	-270.8	-331.8	-334.4
Compensation of Employees	-11.4	-10.4	-12.5
Investment Income(2)	-259.4	-321.4	-321.9
Balances on Goods, Services & Income	-198.7	-291.0	-530.4
Current Transfers: Credit	184.3	273.1	282.2
Government	21.8	81.9	56.5
Private	162.5	191.2	225.7
Current Transfers: Debit	-36.4	-86.3	-59.1
Government	-4.9	-50.3	-11.3
Private	-31.5	-36.0	-47.7
CAPITAL ACCOUNT, n.i.e.	**18.3**	**8.2**	**18.1**
Capital Account: Credit	20.5	10.2	20.8
Capital Account: Debit	-2.2	-2.0	-2.7
FINANCIAL ACCOUNT, n.i.e.	**148.2**	**219.5**	**418.1**
Direct Investment Abroad	-1.1	-2.0	-5.5
Direct Investment in Belize, n.i.e.	217.7	280.7	357.5
Portfolio Investment Assets	-0.5	-0.8	5.8
Portfolio Investment Liabilities, n.i.e.	-42.7	158.3	-5.5
Financial Derivatives Assets	0.0	0.0	0.0
Financial Derivatives Liabilities	0.0	0.0	0.0
Other Investment Assets	-27.2	9.4	-26.9
Other Investment Liabilities	2.1	-226.2	92.6
NET ERRORS & OMISSIONS	**-16.1**	**-77.7**	**-13.5**
OVERALL BALANCE	**99.6**	**45.8**	**115.2**
RESERVE ASSETS (Minus = increase)	**-99.6**	**-45.8**	**-115.2**

(1) Tourism earnings were based on Visitor Expenditure Surveys.

(2) Data include an estimate for profit remittances from the tourism industry.

Table A.17: Government of Belize - Revenue and Expenditure

$'000

	Fiscal Year 2007/2008	Estimated Budget 2008/2009	Jan-Dec 2006	Jan-Dec 2007	Jan-Dec 2008
TOTAL REVENUE & GRANTS (1+2+3)	770,690	824,940	601,276	765,671	794,647
1).Current revenue	675,303	729,032	566,008	651,467	729,567
Tax revenue	591,664	636,802	514,495	577,020	621,042
Income and profits	180,093	233,780	136,659	164,671	199,457
Taxes on property	6,521	7,016	4,393	5,985	6,490
Taxes on goods and services	235,974	244,406	207,838	231,789	252,977
Int'l trade and transactions	169,076	151,600	165,606	174,576	162,118
Non-Tax Revenue	83,639	92,230	51,513	74,447	108,525
Property income	12,425	12,800	1,356	12,643	12,247
Licenses	13,219	14,973	10,499	12,276	14,517
Transfers from NFPE's	25,643	24,592	19,642	27,041	23,468
Repayment of old loans(1)	9,290	2,520	4,578	541	29,688
Rent & Royalties (2)	23,062	37,345	15,437	21,945	28,605
2). Capital revenue	30,124	8,508	9,988	28,366	8,629
3). Grants	65,263	87,400	25,280	85,839	56,450
TOTAL EXPENDITURE (1+2)	786,696	824,775	647,954	796,508	763,456
1). Current Expenditure	597,281	649,599	550,832	636,121	618,947
Wages and Salaries	233,920	262,868	218,075	230,045	246,720
Pensions	42,299	39,902	39,016	40,490	47,788
Goods and Services (3)	134,186	156,403	104,676	158,417	135,030
Interest Payments	111,188	108,885	141,973	134,885	105,417
Subsidies & current transfers (4)	75,688	81,540	47,093	72,284	83,992
2). Capital Expenditure	189,415	175,176	97,122	160,387	144,509
Capital II (local sources)	71,786	78,664	67,869	77,728	66,339
Capital III (foreign sources)	54,888	93,305	25,442	40,253	53,561
Capital Transfer & Net Lending	47,741	3,206	3,811	42,405	9,609
Unidentified Expenditure	15,000	0	0	0	15,000
CURRENT BALANCE	**78,022**	**79,432**	**15,176**	**15,346**	**110,620**
OVERALL BALANCE	**-16,006**	**165**	**-46,678**	**-30,837**	**31,190**
OVERALL BALANCE W/OUT Grants	**-81,269**	**-87,235**	**-71,958**	**-116,676**	**-25,260**
PRIMARY BALANCE	**95,182**	**109,050**	**95,294**	**104,048**	**136,608**
PRIMARY BALANCE W/OUT Grants	**29,919**	**21,650**	**70,015**	**18,210**	**80,157**
FINANCING	**16,006**		**46,678**	**30,837**	**-31,190**
Domestic Financing	-32,751		-8,863	20,270	-21,281
Central Bank	-29,528		58,788	8,695	-68,860
Net Borrowing	148		47,003	696	-17,300
Change in Deposits	-29,676		11,785	7,999	-51,560
Commercial Banks	13,599		-26,970	23,725	40,974
Net Borrowing	5,895		-24,679	22,037	30,177
Change in Deposits	7,704		-2,291	1,688	10,797
Other Domestic Financing	-16,822		-9,214	-12,150	6,605
Transaction with Gov't Guaranteed Debt	0		-31,467	0	0
Financing Abroad	50,035		56,002	-2,042	-7,041
Disbursements (5)	139,311		169,400	1,202,296	82,928
Amortization (6)	-87,559		-122,835	-1,203,082	-88,479
Change in Foreign Assets	-1,717		9,438	-1,256	-1,489
Other	-1,278		-461	12,609	-2,869

Sources: Ministry of Finance, Central Bank of Belize

(1) In August 2008, the Belize Bank returned $20.0mn (Venezuela grant monies) to GOB.

(2) Rent and royalties included $16.2mn (2008) and $$9.2mn (2007) in royalties from Belize Natural Energy Ltd.

(3) In 2007, goods & service category was bumped up by expenditure pertaining to prepaid insurance and financial fees amounting to $xmn associated with the new Bear Stearns bond offering.

(4) In FY2006/07 the KHMH was classified as a statutory body and wage, salaries, and pension of its employees were removed from this line

(5) 2006 disbursements included proceeds of $2.2mn from the sale of petroleum oil imported from Venezuela. Also included are capitalized

(6) 2006 amortization included $1.5mn as 60% part payment for petroleum oil imported form Venezuela.

Table A.18: Central Government's Domestic Debt

$'000

	Disbursed Outstanding Debt 12/31/2007	Transactions During 2008: Disbursement/ New Issues of Securities	Amortization/ Reduction in Securities	Interest Payment	Net Change in Overdraft/ Securities	Disbursed Outstanding Debt 12/31/2008
Overdraft	**112,455**	**0**	**0**	**11,949**	**18,504**	**130,960**
Central Bank	108,810	0	0	11,949	22,150	130,960
Commercial Banks	3,645	0	0	0	-3,645	0
Treasury Bills	**100,000**	**0**	**0**	**2,850**	**0**	**100,000**
Central Bank	68,145	0	0	1,049	-58,076	10,069
Commercial Banks	29,807	0	0	1,760	58,818	88,625
Other	2,048	0	0	41	-742	1,306
Treasury Notes	**55,800**	**10,000**	**0**	**5,223**	**0**	**65,800**
Central Bank	42,571	10,000	**0**	4,317	8,626	61,197
Commercial Banks	10,000	0	0	581	-10,000	0
Other	3,229	0	0	325	1,374	4,603
Defence Bonds	**15,000**	**0**	**0**	**1,250**	**0**	**15,000**
Central Bank	10,000	0	0	800	0	10,000
Commercial Banks	100	0	0	9	0	100
Other	4,900	0	0	441	0	4,900
Loans	**38,696**	**6,093**	**23,727**	**2,697**	**0**	**21,061**
BSSB [2]	6,820	0	694	492	0	6,126
GOB/US Debt Swap	7,697	0	1,278	199	0	6,419
Reconstruction & Developmen	1,733	0	455	248	0	1,278
BBL (Infrastructure dev.)	18,304	0	12,066	940	0	6,238
Guardian Life Bze	1,000	0	0	90	0	1,000
Atlantic Bank Ltd.[3]	2,930	6,093	9,023	728	0	0
Belize Tourist Village [4]	212	0	212	0	0	0
TOTAL	**321,951**	**16,093**	**23,727**	**23,970**	**18,504**	**332,820**

(1) Transactions associated w ith UHS loan w ith the Belize Bank is not included in this table due to ongoing litigation.

(2) GOB has outstanding loan w ith BSSB consisting of (1) Hopeville Housing Project and (2) loan used to pay-off the DFC debt.

(3) January 3rd, 2008, GOB assumed government guaranteed W&S Engineering Loan w ith the ABL for the dredging of Belama.

(4) A Promissory Note made to Belize Tourist Vlg reimbursing them for cost of dredging of Belize Harbour. This loan is interest free.

Table A.19: Public Sector External Debt by Creditors[1]

$'000

	Disbursed Outstanding Debt 31/12/2007	Disbursements	Principal Payments	Interest & Other Payments	Parity Change	Disbursed Outstanding Debt 31/12/2008
CENTRAL GOVERNMENT	**1,824,040**	**82,928**	**88,479**	**81,675**	**-891**	**1,817,597**
Banco Nacional de Comercio Exterior	7,940	0	1,059	468	0	6,881
Fondo de Financ. de las Exportaciones	327	0	218	16	0	109
Government of Great Britain	1,327	0	1,280	0	-47	0
Government of the United States	3,393	0	815	135	0	2,578
Government of Trinidad and Tobago	12	0	4	0	0	8
Government of Venezuela[2]	19,094	47,212	29,813	99	0	36,494
Kuwait Fund for Arab Economic Dev	17,569	0	2,772	989	-86	14,711
Republic of China	266,700	9,000	17,041	13,863	0	258,660
Allfirst Bank of Maryland	420	0	420	31	0	0
Manufacturers & Traders Trust Co.	6,055	0	1,730	320	0	4,325
Bear Stearns & C0. Inc.	9,676	0	1,682	0	0	7,994
BWS Finance Limited	9,922	0	4,961	992	0	4,961
Provident Bank & Trust of Belize (TN)	1,000	0	0	90	0	1,000
Caribbean Development Bank	126,955	16,469	7,622	5,437	0	135,803
European Economic Community	19,103	0	990	149	-760	17,353
European Investment Bank	512	0	203	10	-26	284
Inter-American Development Bank	191,690	5,163	8,331	9,564	0	188,522
International Fund for Agric. Dev.	1,262	0	294	40	26	994
Intl. Bank for Reconstruction & Dev.	46,569	0	8,112	1,956	0	38,456
Opec Fund for Int'l. Development	10,680	3,392	1,133	565	0	12,939
Bank of New York (New Bond Issue)[3]	1,083,834	1,691	0	46,950	0	1,085,525
NON-FINANCIAL PUBLIC SECTOR	**38,293**	**33**	**3,150**	**1,587**	**-117**	**35,059**
Kuwait Fund for Arab Economic Dev	6,589	0	751	260	-47	5,791
Deutsche Bank	1,101	0	284	84	0	818
Caribbean Development Bank	30,603	33	2,115	1,243	-71	28,450
FINANCIAL PUBLIC SECTOR	**83,096**	**0**	**16,638**	**4,584**	**-378**	**58,290**
Paine Webber Real Estate Securities Inc	1,200	0	100	19	0	1,100
Government of the United States	894	0	441	24	0	454
Caribbean Development Bank	20,898	0	5,979	393	0	14,919
European Economic Community	592	0	39	6	-25	529
European Investment Bank [4]	9,834	0	669	39	-353	1,022
Belize Mortgage Company [5]	49,677	0	9,410	4,103	0	40,267
GRAND TOTAL	**1,945,429**	**82,961**	**108,267**	**87,846**	**-1,387**	**1,910,946**

(1) Excludes contingent liabilities of the Central Government.

(2) Disbursements of $47.2mn were for petroleum imported under the Petrocaribe Initiative.

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

(4) Effective 11th June 2008, €3.0mn from the EIB Citrus Loan was transferred from DFC to CGA as private sector loan.

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

Table A.20: Factors Responsible for Money Supply Movements

$mn

	Position as at			Changes During
	Dec 2006	Dec 2007	Dec 2008	2008
Net Foreign Assets	**261.0**	**351.1**	**424.8**	**73.7**
Central Bank	206.4	215.1	329.4	114.3
Commercial Bank	54.6	136.0	95.4	-40.6
Net Domestic Credit	**1,571.0**	**1,799.6**	**1,932.4**	**133.0**
Central Government (Net)	188.6	220.4	191.0	-29.3
Other Public Sector	27.9	15.9	12.9	-2.9
Private Sector	1,354.5	1,563.3	1,728.5	165.2
Central Bank Foreign Liabilities (Long-term)	**0.0**	**0.0**	**0.0**	**0.0**
Other Items (net)	**327.0**	**414.6**	**390.6**	**-24.0**
Money Supply M2	**1,505.0**	**1,736.1**	**1,966.6**	**230.7**

Table A.21: Money Supply

$mn

	Position as at			Changes During
	Dec 2006	Dec 2007	Dec 2008	2008
Money Supply (M2)	**1,505.0**	**1,736.1**	**1,966.6**	**230.7**
Money Supply (M1)	**617.9**	**704.4**	**706.2**	**1.9**
Currency with the Public	136.9	153.4	153.9	0.5
Demand Deposits	326.3	381.3	368.0	-13.2
Savings/Cheque Deposits	154.7	169.7	184.3	14.6
Quasi-Money	**887.1**	**1,031.7**	**1,260.4**	**228.8**
Savings Deposits	135.9	151.6	165.4	13.9
Time Deposits	751.2	880.1	1,095.0	214.9

Table A.22: Net Foreign Assets of Banking System

$mn

	Position as at			Changes During
	Dec 2006	Dec 2007	Dec 2008	2008
Net Foreign Assets	**261.0**	**351.1**	**424.8**	**73.7**
Central Bank	**206.4**	**215.1**	**329.4**	**114.3**
Foreign Assets	208.8	217.5	332.6	115.1
Foreign Liabilities(Demand)	2.4	2.4	3.2	0.8
Commercial Banks	**54.6**	**136.0**	**95.4**	**-40.6**
Foreign Assets	180.4	203.3	235.5	32.2
Foreign Liab. (Short-Term)	125.8	67.3	140.1	72.8

Table A.23: Net Domestic Credit

$mn

	Position as at			Changes During
	Dec 2006	Dec 2007	Dec 2008	2008
Total Credit to Central Government	**271.7**	**294.3**	**307.2**	**12.9**
From Central Bank	228.9	229.5	212.3	-17.3
From Commercial Banks	42.8	64.8	94.9	30.2
Less Central Government Deposits	83.1	73.9	116.2	42.2
Net Credit to Central Government	**188.6**	**220.4**	**191.0**	**-29.3**
Plus Credit to Other Public Sector	**27.9**	**15.9**	**12.9**	**-2.9**
Plus Credit to the Private Sector	**1,354.5**	**1,563.3**	**1,728.5**	**165.2**
Net Domestic Credit of the Banking System	**1,571.0**	**1,799.6**	**1,932.4**	**131.7**

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

$mn

	Position as at			Changes Dec 2007 to
	Dec 2006	Dec 2007	Dec 2008	Dec 2008
PRIMARY SECTOR	**155.8**	**182.0**	**195.2**	**13.2**
Agriculture	106.5	120.8	133.7	12.9
Sugar	11.5	13.4	17.3	3.9
Citrus	19.4	18.6	18.6	0.0
Bananas	64.4	73.9	78.9	5.0
Other	11.2	14.9	18.9	4.0
Marine Products	15.2	27.4	27.9	0.5
Forestry	2.0	1.8	2.2	0.4
Mining & Exploration	32.1	32.0	31.4	-0.6
SECONDARY SECTOR	**373.2**	**422.7**	**420.2**	**-2.5**
Manufacturing	24.6	32.0	40.7	8.7
Building & Construction	316.5	365.2	363.8	-1.4
Utilities	32.1	25.5	15.7	-9.8
TERTIARY SECTOR	**539.3**	**619.6**	**677.2**	**57.6**
Transport	45.8	55.8	74.8	19.0
Tourism	79.3	133.2	120.7	-12.5
Distribution	173.8	193.9	231.3	37.4
Other(1)	240.4	236.7	250.4	13.7
Personal Loans	**322.2**	**375.3**	**449.8**	**74.5**
TOTAL	**1,390.5**	**1,599.6**	**1,742.4**	**142.8**

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

Table A.25: Commercial Banks' Holdings of Approved Liquid Assets

$mn

	Position as at			Changes During
	Dec 2006	Dec 2007	Dec 2008	2008
Holdings of Approved Liquid Assets	**374.3**	**416.7**	**491.3**	**74.6**
Notes and Coins	39.6	42.5	47.0	4.5
Balances with Central Bank	149.1	167.8	194.3	26.5
Money at Call and Foreign Balances (due 90 days)	131.0	124.4	149.3	24.8
Treasury Bills maturing in not more than 90 days	18.1	34.8	79.4	44.6
Other Approved assets	36.5	47.2	21.3	-25.8
Required Liquid Assets	**310.0**	**358.2**	**407.3**	**49.0**
Excess/(Deficiency) Liquid Assets	**64.3**	**58.5**	**84.0**	**25.6**
Daily Average holdings of Cash Reserves	150.0	164.4	192.2	27.8
Required Cash Reserves	134.8	155.7	177.1	21.3
Excess/(Deficiency) Cash Reserves	**15.2**	**8.7**	**15.1**	**6.5**

Table A.26: Commercial Banks' Weighted Average Interest Rates

Percentages

	Position as at			Changes Dec 2007 to Dec 2008
	Dec 2006	Dec 2007	Dec 2008	
Weighted Lending Rates				
Personal Loans	16.30	16.17	15.94	-0.23
Commercial Loans	13.84	13.80	13.55	-0.25
Residential Construction	13.12	13.14	12.78	-0.36
Other	12.42	13.52	13.45	-0.07
Weighted Average	**14.23**	**14.30**	**14.10**	**-0.20**
Weighted Deposit Rates				
Demand	0.67	1.13	1.10	-0.03
Savings/ Cheque	5.25	5.16	5.09	-0.07
Savings	5.24	5.23	5.28	0.05
Time	8.21	8.38	8.51	0.13
Weighted Average	**5.75**	**5.97**	**6.35**	**0.38**
Weighted Average Spread	**8.48**	**8.33**	**7.75**	**-0.58**

Table A.27: Central Bank Dealings in Foreign Exchange

$mn

Month	US $, Canadian $, and UK £			CARICOM Currencies		
	Purchases	Sales	Net	Purchases	Sales	Net
January	48.9	21.7	27.2	0.00	0.22	-0.22
February	12.4	37.4	-25.0	0.00	0.36	-0.36
March	24.0	22.3	1.7	0.00	0.08	-0.08
April	35.9	9.7	26.2	0.03	0.18	-0.15
May	32.6	18.9	13.7	0.24	0.09	0.15
June	31.8	17.8	14.0	0.00	0.02	-0.02
July	42.2	14.7	27.5	0.00	0.02	-0.02
August	51.1	40.5	10.6	0.02	0.57	-0.55
September	46.1	18.9	27.2	0.01	0.16	-0.15
October	16.4	18.6	-2.2	0.00	0.66	-0.66
November	15.2	17.3	-2.1	0.00	0.03	-0.03
December	12.2	16.5	-4.3	0.00	0.47	-0.47
Total	**368.8**	**254.3**	**114.5**	**0.30**	**2.86**	**-2.56**

Table A.28: External Asset Ratio

MONTH	Assets $mn	Liabilites $mn	External Asset Ratio (%)
January	225.0	436.1	51.59
February	200.3	442.7	45.25
March	202.4	464.5	43.57
April	228.5	428.1	53.38
May	242.0	448.3	53.98
June	256.1	464.8	55.10
July	289.9	451.5	64.21
August	293.3	460.2	63.73
September	320.3	500.5	64.00
October	324.0	478.6	67.70
November	314.9	488.8	64.42
December	311.4	516.8	60.26

Table A.29: Inter-bank Market Activity

$mn

Daily Average	Offered	Borrowed
January	26.0	9.0
February	74.0	2.0
March	12.5	2.5
April	14.0	4.0
May	25.0	11.0
June	7.5	5.0
July	65.0	47.0
August	59.0	12.0
September	30.0	16.0
October	10.0	10.0
November	37.0	35.0
December	116.5	74.5
Total	**476.5**	**228.0**

Table A.30: Central Bank Credit to Central Government

$mn

Month	Treasury Bills	Treasury Notes	Treasury Bonds	Overdraft Facility	A	B
January	63.2	42.6	10.0	103.42	4.36	18.37
February	60.8	42.6	10.0	145.54	4.27	25.85
March	65.2	42.6	10.0	157.18	4.44	27.92
April	42.8	42.6	10.0	109.25	3.59	16.44
May	42.4	52.5	10.0	106.52	3.95	16.03
June	50.2	52.3	10.0	102.67	4.24	15.45
July	32.3	41.9	10.0	90.80	3.17	13.66
August	26.4	41.9	10.0	96.94	2.95	14.59
September	31.3	41.7	10.0	96.20	3.13	14.47
October	17.9	41.6	10.0	100.16	2.62	15.07
November	17.5	41.6	10.0	112.83	2.60	16.98
December	10.1	61.2	10.0	130.96	3.06	19.70

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

Proposed estimates for Fiscal 2006/2007 $562,944,828 (January - March 2008)

Revised estimates for Fiscal 2007/2008 $664,606,668 (April - December 2008)

Table A.31: Government of Belize Treasury Bills Issues

Issue Number	Issue Date	Maturity Date	Allotment $mn	Average Discount %	Average Yield %
1/08	12/28/07	03/28/08	45.4	3.22	3.25
2/08	01/23/08	04/23/08	13.2	3.22	3.25
3/08	02/06/08	05/07/08	5.8	3.22	3.25
4/08	12/03/07	06/04/08	35.6	3.22	3.25
5/08	03/28/08	06/27/08	45.4	3.22	3.25
6/08	04/23/08	07/23/08	13.2	3.22	3.25
7/08	05/07/08	08/06/08	5.8	3.22	3.25
08/08	06/04/08	09/03/08	35.6	3.22	3.25
09/08	06/27/08	09/29/08	45.4	3.20	3.15
10/08	07/23/08	10/22/08	13.2	3.22	3.25
11/08	08/06/08	11/05/08	5.8	3.22	3.25
12/08	09/03/08	12/03/08	35.6	3.22	3.25
13/08	09/29/08	01/02/09	45.4	3.09	3.11
14/08	10/22/08	01/21/09	13.2	3.22	3.25
15/08	11/05/08	02/04/09	5.8	3.22	3.25
16/08	12/03/08	03/04/09	35.6	3.22	3.25

CENTRAL BANK OF BELIZE
2008 Financial Statements

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Real Estate
Corporate
Paralegal

INDEPENDENT AUDITORS' REPORT

**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 sheets as of December 31, 2008 and 2007, the statements of operations, statements of changes in equity, and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes.

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 Bank 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 audits. We conducted our audits 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, 2008 and 2007, and of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards, the Central Bank Act, and the Bank and Financial Institutions Act of Belize.

Castillo Sanchez & Burrell, LLP

Chartered Accountants
March 6, 2009

CENTRAL BANK OF BELIZE

BALANCE SHEETS
DECEMBER 31, 2008 AND 2007 (IN BELIZE DOLLARS)

ASSETS	Notes	2008	2007
APPROVED EXTERNAL ASSETS:			
Balances and deposits with foreign bankers	4	**$ 8,312,704**	$ 7,936,140
Reserve Tranche and balances with the International Monetary Fund	5	**20,116,361**	20,123,906
Other foreign credits instruments	6	**258,819,171**	166,125,946
Accrued interest and cash-in-transit	2m,7	**2,107,826**	1,427,895
Marketable securities issued or guaranteed by foreign government and international financial institutions	8	**22,000,000**	2,000,000
		311,356,062	197,613,887
BELIZE GOVERNMENT SECURITIES	9	**81,265,901**	120,716,478
BELIZE GOVERNMENT CURRENT ACCOUNT	10	**122,947,200**	100,123,484
BALANCES WITH LOCAL BANKERS AND CASH ON HAND		**152,926**	75,118
OTHER ASSETS	11	**9,545,451**	10,814,575
PROPERTY AND EQUIPMENT	2h,12	**29,227,521**	29,777,252
TOTAL ASSETS		**$554,495,061**	$459,120,794

The notes on pages 9 to 31 are an integral part of these financial statements.

CENTRAL BANK OF BELIZE

BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2008 AND 2007(IN BELIZE DOLLARS)

LIABILITIES, CAPITAL AND RESERVES	Notes	2008	2007
DEMAND LIABILITIES:			
Notes and coins in circulation		**$193,195,838**	$185,773,149
Deposits by licensed financial institutions	13	**189,228,842**	149,482,134
Deposits by and balances due to Government and Public sector entities in Belize		**133,230,370**	82,006,733
Deposits by international agencies	14	**2,218,779**	2,378,394
		517,873,829	419,640,410
BALANCES DUE TO CARICOM CENTRAL BANKS		**948,316**	23,174
OTHER LIABILITIES	15	**2,295,668**	6,506,153
COMMERCIAL BANKS' DISCOUNT FUND	16	**1,929,746**	2,393,830
TOTAL LIABILITIES		**523,047,559**	428,563,567
CAPITAL ACCOUNT			
Paid up capital (Authorized capital $10,000,000)		**10,000,000**	10,000,000
REVALUATION ACCOUNT	2k,17	**4,015,306**	4,015,306
GENERAL RESERVE FUND	18	**17,432,196**	16,541,921
TOTAL LIABILITIES, CAPITAL AND RESERVES		**$554,495,061**	$459,120,794

The financial statements on page 3 to page 8 were approved and authorised for issue by the board of directors on March 6, 2009 and are signed on its behalf by:

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

The notes on pages 9 to 31 are an integral part of these financial statements.

CENTRAL BANK OF BELIZE

STATEMENTS OF OPERATIONS
DECEMBER 31, 2008 AND 2007 (IN BELIZE DOLLARS)

INCOME	**Notes**	**2008**	2007
Interest			
Approved external assets	19	**$ 5,741,168**	$ 7,621,551
Advances to Government		**11,938,269**	12,269,943
Local securities		**4,810,113**	4,723,747
		22,489,550	24,615,241
Discount on local securities		**1,428,733**	2,181,552
Commissions and other income		**1,749,391**	1,567,088
TOTAL INCOME		**25,667,674**	28,363,881
LESS: Interest expense		**(2,065,137)**	(5,516,193)
Income from operations		**23,602,537**	22,847,688
EXPENDITURE			
Printing of notes and minting of coins		**(2,157,553)**	(1,712,404)
Salaries and wages, including superannuation contribution and gratuities	20	**(7,452,237)**	(6,972,186)
Depreciation		**(984,806)**	(974,960)
Administrative and general expenses	21	**(3,384,953)**	(3,536,890)
Total expenditure		**(13,979,549)**	(13,196,440)
NET PROFIT		**$ 9,622,988**	$ 9,651,248
NET PROFIT TRANSFERABLE TO THE REVALUATION ACCOUNT, GENERAL RESERVE FUND AND CONSOLIDATED REVENUE FUND		**9,622,988**	9,651,248
Transfer to revaluation account in accordance with Section 50 of the Act	2k,17	**(720,237)**	-
Transfer to general reserve fund in accordance with Section 9(1) of the Act	18	**(890,275)**	(965,125)
Balance credited to the Accountant General for the consolidated revenue fund		**$ 8,012,476**	$ 8,686,123

The notes on pages 9 to 31 are an integral part of these financial statements.

CENTRAL BANK OF BELIZE

STATEMENTS OF CHANGES IN EQUITY
DECEMBER 31, 2008 and 2007 (IN BELIZE DOLLARS)

	Share capital	**Revaluation account**	**General reserve**	**Accumulated profits**
January 1, 2007	$10,000,000	$3,011,360	$15,576,796	$ -
Net profit	-	-	-	9,651,248
Gain on revaluation	-	1,003,946	-	-
Transfer to general reserve fund	-	-	965,125	(965,125)
Transfer to Government of Belize	-	-	-	(8,686,123)
December 31, 2007	10,000,000	4,015,306	16,541,921	-
Net Profit	-	-	-	9,622,988
Loss on revaluation	-	(720,237)	-	-
Transfer to revaluation account		720,237	-	(720,237)
Transfer to general reserve fund			890,275	(890,275)
Transfer to Government of Belize	-	-	-	(8,012,476)
December 31, 2008	**$10,000,000**	**$4,015,306**	**$17,432,196**	**$ -**

The notes on pages 9 to 31 are an integral part of these financial statements.

CENTRAL BANK OF BELIZE

STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2008 AND 2007 (IN BELIZE DOLLARS)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net profit	**$ 9,622,988**	$ 9,651,248
Adjustments to reconcile net profit to net cash provided by operating activities:		
- Amortization of intangible assets	**(354,286)**	180,827
- Depreciation of property and equipment	**984,806**	974,960
- Loss (gain) on disposal of property and equipment	**1,491**	(13,533)
	10,254,999	10,793,502
Changes in assets and liabilities that provided cash:		
Belize Government current account	**(22,823,716)**	(22,907,766)
Treasury notes – net	**425,000**	200,000
Securities	**(20,000,000)**	-
Reserve tranche in the International Monetary Fund	**337,239**	(639,810)
Collateral deposits with foreign bankers	**-**	36,952,609
Other assets	**1,623,410**	(3,869,123)
Other liabilities	**(4,210,485)**	2,322,388
Revaluation account	**-**	1,003,946
Net cash (used in) provided by operating activities	**(34,393,553)**	23,855,746
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	**(466,566)**	(689,792)
Proceeds from property and equipment	**30,000**	35,000
Net cash used in investing activities	**(436,566)**	(654,792)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Notes and coins in circulation	**7,422,689**	16,418,810
Transfer to Consolidated Reserve Fund	**(8,012,476)**	(8,686,123)
Transfer to Revaluation Reserve Fund	**(720,237)**	-
Deposits by licensed financial institutions	**39,746,708**	(2,801,557)
Deposits by and balances due to Government and Public Sector Entities	**51,223,637**	(3,025,261)
Deposits by international agencies	**(159,615)**	190,083
Balances due to Caricom Central Banks	**925,142**	(174,706)
Commercial Bank Discount Fund	**(464,084)**	(351,491)
Net cash provided by financing activities	**89,961,764**	1,569,755

The notes on pages 9 to 31 are an integral part of these financial statements.

CENTRAL BANK OF BELIZE

STATEMENT OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2008 AND 2007 (IN BELIZE DOLLARS)

	2008	2007
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**$262,308,758**	$237,538,049
NET INCREASE IN CASH AND CASH EQUIVALENTS	**55,131,645**	24,770,709
CASH AND CASH EQUIVALENTS, END OF YEAR	**$317,440,403**	$262,308,758

CASH AND CASH EQUIVALENTS COMPRISE THE FOLLOWING:

	2008	2007
EXTERNAL ASSETS:		
Balances and deposits with foreign bankers	**$ 8,312,704**	$ 7,936,140
Other foreign credit instruments	**258,819,171**	166,125,946
Accrued interest	**757,106**	1,208,367
Cash-in-transit	**1,350,720**	219,528
Balance with the International Monetary Fund	**7,123,875**	6,794,181
	276,363,576	182,284,162
LOCAL ASSETS:		
Cash and bank balances	**152,926**	75,118
Government of Belize Treasury Bills	**10,068,901**	68,145,478
Current portion of Treasury Notes	**30,855,000**	11,804,000
	$317,440,403	$262,308,758

The notes on pages 9 to 31 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 and Terrorism (Prevention) Act 2008, Treasury Bill Act 2000, Regulations and Guidance Notes, the Financial Intelligence Unit Act 2002 along with a number of circulars, Exchange Control Regulations (Statutory Instrument No. 30 of 1976) along with Exchange Control Circulars.

The principal objectives of the Bank are 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 Banks & Financial Institutions Act.

Standards and Interpretations effective in the current period:

- IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction', provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation does not have an impact on the Bank's financial statements.

- IFRIC 11, 'IFRS 2 – Group and treasury share transactions', provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the Bank's financial statements.

- IFRS 8, 'Operating segments', replaces IAS 14, 'Segment reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This standard has no impact on the number of reportable segments presented, since the Bank's segments have been reported in a manner that is consistent with the internal reporting provided to the chief operating decision-maker.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The following interpretation to published standards is mandatory for accounting periods beginning on or after 1 January 2008 but is not relevant to the Bank's operations:

- IFRIC 12, 'Service concession arrangements'; and
- IFRIC 13, 'Customer loyalty programmes' (effective for accounting periods beginning on or after 1 July 2008).

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Bank:

The following standards and amendments to existing standards have been published and are mandatory for the Bank's accounting periods beginning on or after 1 January 2009 or later periods, but the Bank has not early adopted them:

- IAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Bank will apply IAS 1 (Revised) from 1 January 2009. It is likely that both the income statement and statement of comprehensive income will be presented as performance statements.

- IAS 19 (Amendment), 'Employee benefits' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008.

  - The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.

  - The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.
- IAS 37, 'Provisions, contingent liabilities and contingent assets, requires contingent liabilities to be disclosed, not recognised. IAS 19 has been amended to be consistent.

The Bank will apply the IAS 19 (Amendment) from 1 January 2009.

- There are a number of minor amendments to IFRS 7, 'Financial instruments: Disclosures', IAS 8, 'Accounting policies, changes in accounting estimates and errors', IAS 10, 'Events after the reporting period', IAS 18, 'Revenue' and IAS 34, 'Interim financial reporting', which are part of the IASB's annual improvements project published in May 2008 (not addressed above). These amendments will be applied from 1 January 2009.
- IAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Bank will apply the IAS 28 (Amendment) and provide the required disclosure where applicable for impairment tests from 1 January 2009.
- IAS 39 (Amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008.
  - This amendment clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge.
  - The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is also amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit taking is included in such a portfolio on initial recognition.
  - The current guidance on designating and documenting hedges states that a hedging instrument needs to involve a party external to the reporting entity and cites a segment as an example of a reporting entity. This means that in order for hedge accounting to be applied at segment level, the requirements for hedge accounting are currently required to be met by the applicable segment. The amendment removes the example of a segment so that the guidance is consistent with IFRS 8, 'Operating segments', which requires disclosure for segments to be based on information reported to the chief operating decision-maker.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- When re-measuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) are used.

The Bank will apply the IAS 39 (Amendment) from 1 January 2009. It is not expected to have an impact on the Bank's income statement.

- IAS 1 (Amendment), 'Presentation of financial statements' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, 'Financial instruments: Recognition and measurement' are examples of current assets and liabilities respectively. The Bank will apply the IAS 39 Amendment) from 1 January 2009. It is not expected to have an impact on the Bank's financial statements.

The Bank has assessed the new interpretations of the following standards and has concluded that these will not be relevant:

- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009).
- IFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009).
- IAS 32 (Amendment), 'Financial Instruments: Presentation' (effective from 1 January 2009).
- IFRS 1 (Amendment), 'First time adoption of IFRS', and IAS 27 'Consolidated and separate financial statements' (effective from 1 January 2009).
- IFRS 3 (Revised), 'Business combinations' (effective from 1 January 2009).
- IFRS 5 (Amendment), 'Non-current assets held-for-sale and discontinued operations' (effective from 1 July 2009).
- IAS 28 (Amendment), Investment in Associates' (effective from 1 January 2009).
- IAS 38 (Amendment), 'Intangible assets' (effective from 1 January 2009).
- IFRIC 16, 'Hedges of a net investment in a foreign operation' (effective from 1 October 2008).
- IFRIC 13, 'Customer loyalty programmes' (effective from1 July 2008)
- IAS 16 (Amendment), 'Property, plant & equipment' and IAS 7. 'Statement of cash flows' (effective from 1 January 2009).
- IAS 27 (Amendment), 'Consolidated and separate financial statements' (effective from 1 January 2009).
- IAS 29 (Amendment), 'Financial reporting in hyperinflationary economies' (effective from 1 January 2009).
- IAS 31 (Amendment), 'Interest in Joint Ventures' (effective from 1 January 2009).
- IAS 40 (Amendment), 'Investment property' (effective from 1 January 2009).
- IAS 41 (Amendment), 'Agriculture' (effective from 1 January 2009).
- IAS 20 (Amendment), 'Accounting for government grants' (effective from 1 January 2009).
- IFRIC 15, 'Agreements for construction of real estates' (effective from 1 January 2009).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a. Form of presentation of the financial statements - Adopted IFRS and the Central Bank of Belize Act 1982 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 – There were no changes in accounting policies during the year. All policies have been applied on a basis consistent with the prior year.

   In exceptional circumstances, as part of its functions as a Central Bank, 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.

   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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

   <u>International Monetary Fund balances</u>
   As fiscal agent and depository, the Bank is authorized in its own right rather than as an agent for the Government of Belize, to carry out transactions with the International Monetary Fund (IMF) and to maintain the fund's currency holdings. Accordingly, all transactions by the Bank with the IMF have been included in these financial statements.

   Belize's Reserve Tranche position with the IMF is recorded by the Bank as a foreign 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 Central Bank of Belize Act 1982.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g. Financial instruments (continued) -

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i. Employee benefits (continued) -

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 Sheets.

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.

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).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k. Foreign currency (continued) -

iii. Revaluation

Section 50 of the Central Bank of Belize Act 1982 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 Section 52 of the Central Bank of Belize 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 25 COMPLIANCE

Section 25 of the Act stipulates that:

1. 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.

As at December 31, 2008, the bank was in compliance as the value of total assets was $555,495,061 while the value of notes and coins in circulation was $193,195,838.

2. 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, 2008 and 2007 total approved external assets approximated 60 percent and 47 percent of such liabilities respectively.

4. BALANCES AND DEPOSITS WITH FOREIGN BANKERS

There were no restricted foreign or domestic deposits for 2008 and 2007.

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, 2008, Belize's subscriptions to the International Monetary Fund amounted to SDR 18,800,000. The Reserve Tranche amounted to SDR 4,238,690 and the IMF's currency holdings amounted to SDR 14,562,242, respectively. The Reserve Tranche which earns interest is included in approved external assets in the financial statements at the exchange rate of BZ$3.0805 to SDR 1.0 at December 31, 2008 (2007 - BZ$3.1605 to SDR 1.0).

6. OTHER FOREIGN CREDIT INSTRUMENTS

	2008	2007
These instruments comprise of:		
Bank of America (Fixed Deposits)	**$ 40,000,000**	$ 50,000,000
Crown Agents Bank (Fixed Deposits)	**61,139,170**	50,085,946
Federal Reserve Bank of New York (Overnight Deposit)	**145,800,000**	64,400,000
Bank of America (Overnight Deposit)	**1,300,001**	1,240,000
Citibank N.A. New York (Overnight Deposit)	**10,580,000**	400,000
	$258,819,171	$166,125,946

7. ACCRUED INTEREST AND CASH-IN-TRANSIT

Accrued interest and cash-in-transit consist of:

	2008	2007
Accrued interest	**$ 757,106**	$1,208,367
Cash-in-transit	**1,350,720**	219,528
	$2,107,826	$1,427,895

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

These securities, which are carried at cost, consist of the following:

	Face Value	Maturity Date
3.25% Government of Dominica Debenture	**$ 2,000,000**	2034
2.5% Caribbean Development Bond	**$20,000,000**	2010

The Bank has the positive intent and ability to hold these securities to maturity.

9. BELIZE GOVERNMENT SECURITIES

Belize Government securities consist of:

	2008	2007
3.25% Treasury Bills	**$10,068,901**	$ 68,145,478
9% Treasury Notes	**61,197,000**	42,571,000
8% Belize Defence Bonds	**10,000,000**	10,000,000
	$81,265,901	$120,716,478

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

	2008	2007
Due within 1 year	**$40,923,901**	$ 79,949,478
Due within 1 year through 5 years	**30,342,000**	30,767,000
Due within 5 years through 10 years	**10,000,000**	10,000,000
	$81,265,901	$120,716,478

9. BELIZE GOVERNMENT SECURITIES (Continued)

Section 35(2) of the Central Bank 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, 2008 and 2007 the Bank's aggregate holding of Belize Government securities approximated 2.96 times and 4.55 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 Central Bank 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, 2008 and 2007 advances to Government represent approximately 91 percent and 86 percent of the authorized limit respectively.

11. OTHER ASSETS

	2008	2007	
Other assets consist of:			
Inventory of notes and coins	**$ 4,982,229**	$ 4,172,404	
Prepayments and accrued interest	**2,340,957**	4,838,877	
Accounts receivable	**702,797**	654,504	*
Staff loans receivable	**1,369,850**	784,516	*
Museum endowment fund	**578,150**	578,150	
Other	**106,581**	140,410	
	10,080,564	11,168,861	
Less amortization:	**(535,113)**	(354,286)	
	$ 9,545,451	$10,814,575	

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.

* Reclassified for comparative purposes.

12. PROPERTY AND EQUIPMENT

Cost	**Property**	**Furniture**	**Equipment**	**Vehicles**	**Total**
Balance at, January 1, 2008	$30,441,554	$1,168,961	$5,804,289	$473,998	$37,888,802
Additions	-	80,826	304,240	81,500	466,566
Disposals	-	-	(152,890)	(159,467)	(312,357)
Balance at, December 31, 2008	30,441,554	1,249,787	5,955,639	396,031	38,043,011
Accumulated depreciation					
Balance at January 1, 2008	2,548,354	915,607	4,383,984	263,605	8,111,550
Depreciation charge for the year	281,395	84,320	550,262	68,829	984,806
Disposal	-	-	(155,296)	(125,570)	(280,866)
Balance at, December 31, 2008	2,829,749	999,927	4,778,950	206,864	8,815,490
Net book value					
December 31, 2008	**$27,611,805**	**$ 249,860**	**$1,176,689**	**$189,167**	**$29,227,521**
December 31, 2007	$27,893,200	$ 253,354	$1,420,305	$210,393	$29,777,252

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:

	2008	2007
Commercial banks	**$187,228,842**	$147,682,134
International financial institutions	**2,000,000**	1,800,000
	$189,228,842	$149,482,134

14. DEPOSITS BY INTERNATIONAL AGENCIES

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

	2008	2007
Commission of the European Communities	**$ 586,866**	$ 772,987
International Monetary Fund	**147,656**	151,490
Caribbean Development Bank	**103,910**	103,736
Inter-American Development Bank	**876,100**	845,934
International Bank for Reconstruction and Development	**504,247**	504,247
	$2,218,779	$2,378,394

15. OTHER LIABILITIES

	2008	2007
Severance and gratuities	**$ 881,626**	$ 835,453
Abandoned property	**479,369**	2,404,670
Other	**934,673**	3,266,030
	$2,295,668	$6,506,153

16. COMMERCIAL BANKS' 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.

	2008	2007
Loan payable to USAID	**$ 453,848**	$ 894,380
Interest paid to USAID	**(2,301,079)**	(2,277,527)
Interest received from institutions	**3,776,977**	3,776,977
	$1,929,746	$2,393,830

17. REVALUATION ACCOUNT

The Revaluation Account has been set up in compliance with Section 50 of the Central Bank of Belize Act 1982, where all profits or losses are carried to a special account called Revaluation Account.

	2008	2007
Total exchange gains as at December 31	**$1,871,054**	$2,591,291
Transfers during previous years in accordance with section 50	**1,424,015**	1,424,015
Transfers in accordance with section 50 – current period	**720,237**	-
	$4,015,306	$4,015,306

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.

	2008	2007
Balance at beginning of year	**$16,541,921**	$15,576,796
Transfer from net profit	**890,275**	965,125
Balance at end of year	**$17,432,196**	$16,541,921

19. INTEREST ON APPROVED EXTERNAL ASSETS

	2008	2007
Interest earned on overnight deposits	**$5,073,344**	$6,748,988
Interest earned on marketable securities	**116,575**	70,000
Interest earned on balances and deposits with foreign bankers	**551,249**	802,563
	$5,741,168	$7,621,551

20. SALARIES AND WAGES, INCLUDING SUPERANNUATION CONTRIBUTION AND GRATUITIES

Expense recognized for employee benefits is analyzed below:

	2008	2007
Wages and salaries	**$7,041,093**	$6,608,940
Social security costs	**127,171**	122,426
Pensions - defined benefit plans	**283,973**	240,820
Employee benefits expense	**$7,452,237**	$6,972,186

21. ADMINISTRATIVE AND GENERAL

	2008	2007
Advertising	**$ 23,251**	$ 34,242
Audit fees	**45,513**	45,220
Bad debt write off	**180,827**	180,827
Bank charges	**28,815**	30,621
Bank publications	**16,414**	28,464
Books and publication	**22,617**	48,945
Building repairs and maintenance	**441,672**	751,378
Cash shipment	**44,714**	25,663
Computer software license	**85,634**	77,220
Conference	**-**	81,281
Directors' fees	**25,600**	16,500
Donations	**69,282**	52,714
Entertainment	**15,737**	17,299
Equipment maintenance	**43,104**	40,856
Firearms license and ammunitions	**5,183**	16,003
Freight charges	**9,666**	15,981
Hurricane preparedness	**5,261**	19,703
Insurance expense	**116,234**	112,576
Legal fees	**113,703**	57,968
Membership fees	**67,608**	66,409
Motor vehicle	**67,617**	65,257
Other miscellaneous expense	**451,478**	263,824
Overseas meeting and conferences	**228,853**	195,255
Professional services and technical support	**149,899**	163,765
Small equipment purchases	**4,954**	16,395
Supplies	**197,487**	215,999
Surveys	**63,596**	29,537
Travel (local)	**7,407**	8,782
Utilities expense	**852,827**	858,206
	$3,384,953	$3,536,890

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 \$283,973 (2007 - \$240,820) 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. The next actuarial valuation is currently in process and will be completed before the next fiscal year.

Significant actuarial assumptions used in the valuation were:

I. A valuation rate of interest of 7% p.a.
II. A rate of escalation of pensionable salaries of 5% p.a.
III. 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:

	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	$ (24,279)	$(1,119,435)	$ (358,686)	$ (2,266)	$ (98,510)	$ (614,812)	$(31,627,974)	$100,123,484
Deposits	(1,186,712)	(7,003,397)	(1,440,251)	(3,206,266)	(572,025)	(6,587,328)	(5,551,556)	(933,417,293)
Disbursements	1,209,000	7,920,152	1,419,600	3,206,266	624,050	6,910,060	5,038,460	956,241,009
Closing Balances	$ (1,991)	$ (202,680)	$ (379,337)	$ (2,266)	$ (46,485)	$ (292,080)	$(32,141,070)	$122,947,200

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 the Governor and Deputy Governors, other members of the Board, and non-executive Directors. At December 31, 2008, the number of key management personnel was 17 (2007: 15)

Compensations of key management personnel

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

	2008	2007
Short-term benefits	**$1,156,614**	$ 967,644
Post-employment benefits	**34,280**	32,505
Termination benefits	**84,862**	84,651
	$1,275,756	$1,084,800

Loans and advances to key management personnel

As at December 31, 2008 an amount of $279,815 (2007 - $117,170) 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.

In November 2008, the Bank enhanced its remuneration package with the introduction of a residential mortgage loan program for qualifying permanent staff. This facility is available for a maximum period of 15 years with a variable interest rate initially set at 4.5%.

24. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Financial assets and liabilities

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

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 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)

Credit risk (Continued)

In providing liquidity 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.

The following tables break down the Bank's main credit exposure at their carrying amounts, as categorised by geographical regions as of December 31, 2008. In table A, the Bank has allocated exposure to regions based on the country of domicile of the counter parties.

Geographical concentration of assets:

Schedule A
Depository and Money at Call, Overnight Deposits and Fixed Deposits by location

Balance & Money at Call	USA	Canada	Europe	Total
Depository Accounts & Money at call	$ 275,869	$62,415	$ 6,861,118	**$ 7,199,402**
Overnight Deposits	157,680,001	-	-	**157,680,001**
Fixed Deposits	40,000,000	-	61,139,170	**101,139,170**
Total Exposure	**$197,955,870**	**$62,415**	**$68,000,288**	**$266,018,573**

Schedule B
Outline of other Local and Foreign Investments

Securities	Local		Foreign	
	GOB	**GOB**	**CDB**	**Dominica**
Treasury Notes	$61,197,000	$ -	$ -	$ -
Treasury Bills	10,068,901	-	-	-
Bonds	-	10,000,000	20,000,000	-
Debentures	-	-	-	2,000,000
Total Exposure	**$71,265,901**	**$10,000,000**	**$20,000,000**	**$2,000,000**

25. FINANCIAL RISK MANAGEMENT (Continued)

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 due 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.

The table below analyses the average interest rates for the Bank's foreign deposit accounts and investments.

Foreign Assets	Average rate of return	Average rate of return
	2008	2007
Depository Accounts & Money at Call	1.711%	4.797%
Overnight Deposits	1.655%	4.150%
Term Deposits	2.773%	5.010%
Bonds	2.500%	0.000%
Debentures	3.500%	3.500%

Currency risk

The Bank takes on exposure to fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Because of its conservative nature, the Bank's exposure is limited to a significant portion of its external assets held in US funds and in SDR funds necessary to meet Belize's quota with the IMF. Other external asset funds are kept at a minimum.

25. FINANCIAL RISK MANAGEMENT (Continued)

Currency risk (Continued)

The table below indicates the different fund allocations as of December 31, 2008:

	FOREIGN CURRENCY	YEAR END RATE	BELIZE DOLLAR VALUE
Sterling Fund	(213,736.67)	2.89020	(617,741.72)
Canadian Fund	(37,868.66)	1.64820	(62,415.13)
SDR Fund	(6,486,586.00)	3.08054	(19,982,187.64)
USD Fund	(142,989,016.03)	2.00000	(285,978,032.06)
Euro Fund	(69,944.87)	2.81840	(197,132.62)
BZ$ Fund	304,966,455.01	1.00000	304,966,455.01
Total Exchange gain			**(1,871,054.16)**
Previous Years Transfer			**(1,424,013.78)**
2008 Transfer in accordance with section 50			**(720,236.79)**
Current Year's Gain			**(4,015,304.73)**

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.

The table below analyses the Bank's assets into relevant maturity grouping based on the remaining period at the balance sheet date to the contractual maturity date.

25. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk (continued)

Maturities of assets and liabilities at December 31, 2008

Asset Type	1 Month	1-3 Months	3-6 Months	3-12 Months	1-5 Years	Over 5 Years
	$	$	$	$	$	$
Depository Accounts & Money at Call	7,199,402	-	-	-	-	-
Fixed Deposits	-	45,187,614	55,951,556	-	-	-
Overnight Deposits	157,680,001	-	-	-	-	-
Treasury Bills	-	-	-	10,068,901	-	-
Treasury Notes	-	-	-	30,855,000	30,342,000	-
Bonds	-	-	-	-	-	30,000,000
Debentures	-	-	-	-	-	2,000,000
	164,879,403	**45,187,614**	**55,951,556**	**40,923,901**	**30,342,000**	**32,000,000**

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 its fraud policy and reliance on the internal audit function.

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 6, 2009 by the board.

GOVERNOR

DEPUTY GOVERNOR,
OPERATIONS

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