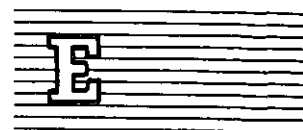


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ECONOMIC SURVEY  
OF LATIN AMERICA

1981

BELIZE

This preliminary version of the *Economic Survey of Latin America, 1981* is being distributed in the form of a general introduction, under the symbol E/CEPAL/L.268, and a number of addenda, each containing a study of the economic evolution of a country of the region. These studies will not be published in alphabetical order, but in order of completion.

The final version of the complete *Survey* will be published once the observations regarding this preliminary version have been received.

Table 1  
**BELIZE: MAIN ECONOMIC INDICATORS**

	1978	1979	1980 <sup>a</sup>
<b>A. Basic economic indicators</b>			
Gross domestic product at market prices	61.9	64.0	65.9
OS8 (millions of Bz dollars at 1980 prices)			
Population (thousands of inhabitants)	154	158	162
Per capita gross domestic product (dollars at 1980 prices)	750	750	760
<b>Annual growth rates</b>			
<b>B. Short-run economic indicators</b>			
Gross domestic product	...	3.2	3.0
Per capita gross domestic product	...	0.7	0.5
Current value of exports of goods	28.3	27.4	8.1
Current value of imports of goods	17.6	25.6	9.7
Money	...	-0.8	11.5
<b>Millions of Bz dollars</b>			
<b>C. External sector</b>			
Trade balance (goods and services)	-25	-30	-35
Balance on current account	-13	-11	-17
Variation in international reserves	4.9	-1.6	...
External debt <sup>b</sup>	...	46	...
Exchange rate (Bz\$ per US\$)	2	2	2

Source: CEPAL, on the basis of official figures.

<sup>a</sup>Preliminary figures.

<sup>b</sup>External public debt outstanding.

Table 2  
**BELIZE: GROSS DOMESTIC PRODUCT, BY KIND OF ECONOMIC ACTIVITY, AT FACTOR COST<sup>ab</sup>**

	Millions of constant Belize dollars			Percentage breakdown		Growth rate	
	1978	1979	1980	1978	1980	1979	1980
<b>Total gross domestic product</b>	123.9	127.9	131.7	100.0	100.0	3.2	3.0
<b>Goods</b>	51.3	52.2	52.4	41.4	39.8	1.8	0.4
Agriculture, fisheries and forestry	28.4	30.0	29.8	22.9	22.6	5.6	-0.8
Mining and quarrying	0.4	0.4	0.4	0.3	0.3	-	-
Manufacturing	12.6	12.8	13.2	10.2	10.0	1.5	3.5
Construction	9.9	9.1	9.1	8.0	6.9	-8.8	-
<b>Basic services</b>	12.7	13.7	14.4	10.3	11.0	7.7	5.4
Electricity and water	1.5	1.6	1.8	1.2	1.3	8.5	8.6
Transport and communications	11.2	12.1	12.7	9.1	9.6	7.6	5.0
<b>Other services</b>	59.9	62.0	64.8	48.3	49.2	3.5	4.6
Commerce and restaurants	20.5	20.3	21.3	16.6	16.2	-1.0	5.0
Finance and insurance	7.1	7.7	8.3	5.7	6.3	8.3	8.0
Real estate	7.6	8.6	9.0	6.2	6.8	12.2	5.0
Government	12.6	12.9	13.3	10.2	10.1	2.5	2.5
Miscellaneous services	12.0	12.5	12.9	9.7	9.8	3.9	3.5

Source: Belize. Statistical Office.

<sup>a</sup>At constant 1973 prices.

<sup>b</sup>Provisional estimates.

Table 4

## BELIZE: INDICATORS OF MANUFACTURING PRODUCTION

	1978	1979	1980	1981 <sup>a</sup>	Growth rates		
					1979	1980	1981 <sup>a</sup>
<b>Production of some important manufactures</b>							
Sugar <sup>b</sup>	115.3	100.2	104.9	99.3	-13.1	4.7	-5.3
Molasses <sup>b</sup>	40.5	32.8	32.4	...	-19.0	-1.2	...
Cigarettes <sup>c</sup>	68.8	62.8	63.4	...	-8.7	1.0	...
Clothing <sup>d</sup>	1 238.0	1 400.0	1 564.0	...	13.1	11.7	...
Fertilizers <sup>b</sup>	3.3	3.4	3.6	...	2.7	6.9	...
Beer and stout <sup>e</sup>	2 909	3 325	3 127	...	13.9	-6.0	...
Flour <sup>b</sup>	7.0	7.2	6.6	...	2.0	-8.0	...
Batteries <sup>f</sup>	3 156	3 431	4 000	...	8.7	16.6	...

Source: Data supplied CEPAL.

<sup>a</sup>Estimates.

<sup>b</sup>Thousands tons.

<sup>c</sup>Millions.

<sup>d</sup>Pieces.

<sup>e</sup>Thousands litres.

<sup>f</sup>Units.

the Toledo district and in Cayo district were completed in the same year. Construction work on a water treatment plant, which now supplies some 800 gallons of water per minute to Belize City, was completed in 1980. The Canadian International Development Agency (CIDA) is providing Bz\$ 20 million for a modern water and sewerage system for Belize City.

Firm data on private sector construction are not yet available, but the indications are that some construction of hotels, guesthouses and factories has taken place, despite the problems of supply of building materials. Commercial bank credit for building and construction work increased considerably in 1981 (see table 6), but this increase may have been largely offset by the sharp fall in DFC loans for housing. Taken together, these data suggest that at best there was only a modest recovery in construction during 1981.

Table 5

## BELIZE: INDICATORS OF CONSTRUCTION ACTIVITY

	1978	1979	1980 <sup>a</sup>	Growth rates		
				1978	1979	1980 <sup>a</sup>
<b>Number of building plans approved</b>	<b>506</b>	<b>181</b>	<b>182</b>	<b>325.2</b>	<b>-64.2</b>	<b>0.6</b>
Aproximate cost <sup>b</sup>	...	...	8	...	...	...
<b>Imports of building materials<sup>c</sup></b>						
Cement	1 659	1 725	2 269	-6.4	4.0	31.5
Iron and steel plates and corrugated sheets	405	422	1 873	-59.0	4.2	343.8
Iron and steel bars and rods	405	726	743	-41.6	79.3	2.3

Source: Belize, Central Planning Unit and data supplied CEPAL.

<sup>a</sup>Estimates.

<sup>b</sup>Millions of Belize dollars.

<sup>c</sup>Thousands of Belize dollars.

Table 6

## BELIZE: SECTORAL DISTRIBUTION OF COMMERCIAL BANK CREDIT

	Millions of current Belize dollars				Percentage breakdown			Growth rates <sup>b</sup>		
	1978	1979	1980	1981 <sup>a</sup>	1976	1980	1981 <sup>a</sup>	1978	1979	1980
<b>Total</b>	<b>65.0</b>	<b>86.6</b>	<b>91.9</b>	<b>104.1</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>9.2</b>	<b>33.2</b>	<b>6.2</b>
Agriculture	18.1	23.4	24.1	22.6	33.4	26.2	21.7	8.7	29.2	2.6
Forestry and fishing	4.3	1.8	3.8	3.3	0.4	4.1	3.2	86.4	-59.0	117.4
Manufacturing	7.2	10.3	12.5	10.9	8.7	13.6	10.5	48.8	42.8	21.6
Construction	7.2	9.4	9.2	12.1	6.8	10.1	11.7	21.1	29.8	-1.5
Tourism	0.5	0.7	0.7	1.0	1.0	0.7	0.9	0.6	36.1	-7.3
Distributive trades	14.9	23.6	25.2	34.1	28.4	27.4	32.7	9.4	58.4	6.8
Government and statutory bodies	1.0	2.7	2.7	3.8	7.0	2.9	3.7	-28.8	69.0	-2.0
Others	11.7	14.7	13.8	16.3	14.3	15.0	15.7	6.8	25.1	-6.2

Source: Belize, *Quarterly Review* (several issues) and data supplied to CEPAL.

<sup>a</sup>As of September.

<sup>b</sup>These are based on the original unrounded data and may therefore differ slightly from those presented above, which were calculated from rounded data.

(iv) *Tourism*. This continues to be a potentially significant earner of foreign exchange, the major tourist attractions being the marine life found on the continental shelf, the archaeological sites of Mayan origin, the cays and the scenic beauty of the rural areas and the hinterland. There has to date been no major governmental thrust to promote tourism, despite the country's proximity to the United States mainland. Tourist accommodation consists mainly of small hotels, most of which are family-type operations with consequently modest facilities. Recently a substantial amount of foreign investment has been attracted to the San Pedro district, which is the hub of the tourist activity, and a number of twenty-room hotels are being constructed. The view of major operators in the tourist industry is that there must be some form of balanced development of tourist facilities in step with infrastructural development, the latter being the province of the Central Government. Between 1978 and 1980 there was a general increase in the number of tourists, with a substantial number of arrivals from North America and a very large proportion of tourists coming overland. It is estimated that the number of tourist arrivals in 1981, however, fell by 2% to about 62 000 persons.

### 3. The external sector

Exports account for over 50% of the GDP. The economy is thus highly sensitive to changes in the prices of its key exports (principally sugar) or imports (especially petroleum) and in the volume of exportables. As noted earlier, it is likely that the value of Belize's domestic exports declined somewhat in 1981, because of the fall in the volume and/or price of its two principal agricultural exports: sugar and bananas. Consequently, it is probable that the country's current account deficit increased somewhat over 1980. This is suggested, moreover, by the Bz\$ 5 million decline in the international reserves. Nevertheless, current account deficits of the size Belize has been running, though substantial (of the order of 10-15% of the gross domestic product (see table 7)), are still within the limits found among other countries in the Caribbean, where current account deficits as a percentage of GDP range from lows of the order of 5% in the Bahamas, Barbados, and Trinidad and Tobago to highs of the order of 25% and more in Antigua, Dominica, Montserrat and St. Lucia.

Nevertheless, it is important to note that the resource gap or current account deficit would be much larger, or, alternatively, economic activity would be much lower, were it not for continuing overseas grants, principally from the United Kingdom.

Sugar cane production partially recovered in 1980 from the effects of the bad weather in the previous year, but it declined by almost 4% in 1981 (see table 3), while sugar tonnage declined even more (-5.3%). Of this sugar output, roughly 60% was exported to the United Kingdom at EEC prices (roughly US\$ 0.35 per pound), 30% went to the United States under a guaranteed quota agreement (at roughly US\$ 0.22 per pound), while the remaining 10% was purchased by Canada at world prices (under US\$ 0.20 per pound).

Thanks to these forward contracts with the United Kingdom and the United States, the average selling price of Belize's sugar fell considerably less than world prices, but even so the decline in sugar output, plus the fall in its price, reduced export earnings from this item by nearly 14%, from Bz\$ 96 million to Bz\$ 83 million.<sup>2</sup> This alone is sufficient to explain why it is unlikely that the country's economy could have grown in 1981.

Banana production, traditionally Belize's second most important agricultural activity, fell by 30% in 1981, to 10 500 tons, with a corresponding decline in export earnings. After a drop in citrus production in 1979 as a consequence of hurricane "Greta" the previous year, the production of oranges rose in 1980 to a record 41 000 tons and subsequently settled to an estimated 36 000 tons in 1981, while grapefruit production increased from 15 000 tons to an estimated 21 000 tons over the same period. The outlook for the industry in 1982 looks promising in view of the frosts which have affected the citrus industry in North America.

Rice production continued to grow in 1981, when it rose by 2.5%. This sustained increase in the production of paddy rice is due to the combined effects of improvements in production technology, increased acreages and a better marketing structure. Rice is produced in two main areas with differing technologies —the Belize district and the Toledo district. At least 5 000 tons of polished rice were exported to Jamaica from the Belize district in 1981. This district's high output resulted from its achievement of two crops per year and full mechanization, including aerial sowing. In the Toledo district, more traditional cultivation methods prevailed, with one crop per year being grown by a mixture of mechanized and "slash and burn" methods, but even so it produced some 4 000 tons of rice in 1981, totally filling the storage facilities. In 1981 the price offered to farmers for rice increased from 16 cents per pound to some 20 cents per pound.

Generally speaking, the rest of the agricultural sector registered a mixed performance in 1981. Poultry production increased significantly, but this was almost completely offset by the declines in beef and pork production. Similarly, corn and honey production increased, but the output of kidney beans declined.

Over the last two years, market and price problems have been important constraints on agricultural production. The Government has given incentives for rice and corn, in the form of guaranteed prices and subsidies, but now there is a surplus of production over local demand, with the corresponding problems of marketing and storage. Belize is therefore actively seeking export markets for all major commodities, while seeking to improve quality. The Government is also keen on promoting investment in agro-industry.

The rest of the primary sector, fishing and forestry, which together account for 8% of the country's domestic exports, showed some improvement in 1981. Exports of marine products rose in 1981 to Bz\$ 13.4 million, from the previous year's figure of Bz\$ 7.4 million, in response to significant increases in both volume of production and price. Thus, after the previous year's decline, the volume of exports of marine products, rose by 10% to some 1.1 million pounds in 1981, thanks to the combined effects of training in fishing and record catches. The lobster market was especially favourable, as the price of lobster tails rose from Bz\$ 7.00 in 1980 to between Bz\$ 14.00 and Bz\$ 18.00 in 1981, when lobster exports totalled some 674 000 pounds, with a value of Bz\$ 11.1 million, as opposed to the 1980 catch of 390 000 pounds worth Bz\$ 5.5 million. In order to maintain some balance in the marine ecosystems, the Government has decreed open and close seasons to control over-fishing. Deep-sea fishing has not yet been fully developed, but some funding in this area has been given by the Development Finance Corporation (DFC).

<sup>2</sup>The exchange rate is Bz\$ 2.00=US\$ 1.00.

Table 3

## BELIZE: INDICATORS OF AGRICULTURAL PRODUCTION

	1978	1979	1980	1981 <sup>a</sup>	Growth rates		
					1979	1980	1981 <sup>a</sup>
Thousands of tons							
<b>Production of main crops</b>							
Sugar cane	1 140.9	1 005.0	1 030.0	993.0	-11.9	2.5	-3.6
Oranges	30.5	23.3	41.3	35.7	-23.6	77.3	-13.6
Grapefruit	10.9	4.7	14.8	21.4	56.9	214.9	44.6
Timber <sup>b</sup>	2 662.0	3 151.0	3 955.0	4 217.0	18.4	25.5	6.6
Rice (paddy)	7.9	8.5	9.3	9.5	8.1	8.9	2.5
Corn	19.5	15.4	18.8	19.0	-21.0	22.1	1.1
Honey <sup>c</sup>	187.0	173.0	213.0	225.0	-7.5	23.1	5.6
Bananas	9.9	16.0	15.0	10.5	61.6	-6.3	-30.0
Red kidney beans	1.0	1.0	1.4	1.3	4.1	36.3	-9.4
<b>Livestock production (meat)<sup>c</sup></b>							
Beef	1 169	1 130	1 050	980	-3.3	-7.1	-6.7
Pork <sup>d</sup>	225	217	206	162	-3.6	-5.1	-21.4
Poultry	1 451	2 008	2 324	2 500	38.4	15.7	7.6

Source: Belize, Central Planning Unit, Ministry of Agriculture, and data supplied CEPAL.

<sup>a</sup>Estimates.

<sup>b</sup>Thousands of cubic metres.

<sup>c</sup>Tons.

<sup>d</sup>Excludes slaughtering on farms.

Forestry continued to contribute to the country's foreign exchange earnings to the value of some Bz\$ 3.8 million in 1980, when production was of the order of 4 million cubic metres of timber. Partial data indicate a slight increase in production in 1981, but it may be that there was a small drop in foreign exchange earnings from this commodity, because of a decline in international prices.

(ii) *Manufacturing*. This sector accounts for close to 10% of the country's gross domestic product. It is overwhelmingly dominated, however, by the production of sugar and molasses, whose output naturally follows closely variations in the production of sugar cane. The rest of manufacturing activity is mainly limited to a number of agro-industrial establishments, based on citrus products, tobacco and flour-milling (see table 4).

Since sugar cane output declined 4% in 1981, it is not surprising that the manufacture of sugar, for its part, declined by a similar amount (-5%). It is likely that the same was true of the production of molasses, since its output, too, tends to follow closely that of sugar. There are no 1981 data on the other industries, but their weight in overall manufacturing is too slight to alter the conclusion that the sector as a whole must have declined in 1981, given the predominance of sugar in it. The only exception might be the case of the garment industry, which although only on an incipient scale has become an important source of foreign exchange, accounting for over 12% of Belize's domestic exports. While no firm data are available on 1981 output, preliminary appraisals suggest that this continued to expand.

(iii) *Construction*. This sector, which is heavily dependent on government activity, normally accounts for some 7% of the gross domestic product, but preliminary estimates of the GDP suggest that there was a virtual stagnation of activity in it in 1980 (see tables 2 and 5), while overall data are not yet available for 1981.

The Development Finance Corporation (DFC) constructed an industrial estate close to the international airport in 1980 and 1981, near the site of an existing estate. Construction of an expanded road network between Belize City and Belmopan continued in 1981, while grain silos in

Table 7

## BELIZE: BALANCE OF PAYMENTS

(Millions of Belize dollars)

	1977	1978	1979	1980 <sup>a</sup>
<b>Current account</b>				
Merchandise (net)				
Exports (FOB)	124.4	159.6	203.4	219.9
Imports (CIF)	180.2	212.0	266.3	292.0
Visible trade balance	-55.8	-52.4	-63.0	-72.1
Invisibles				
Net factor income	-3.5	-3.7	-4.0	-4.5
Net travel	5.6	6.0	6.5	6.7
Transfers				
Overseas aid (United Kingdom)	18.0	19.0	29.0	27.3
Other aid (Canada, United Nations)	3.2	3.6	4.2	5.0
Remittances (net)	3.5	3.6	1.8	2.4
Other (net)	1.4	1.5	1.6	1.8
Balance on current account	27.6	-26.0	-21.9	-33.3

Source: Belize Economic Survey, 1978-1979, Central Planning Unit, and data supplied to CEPAL.

<sup>a</sup>Preliminary estimates.

## 4. Monetary and fiscal policy

The Central Government, which encompasses about 75% of the public sector, has consistently turned in savings on current account (see table 8). These have been declining somewhat, however, from 4% of the GDP, as was typical through most of the 1970s, to 3% in 1980

Table 8

## BELIZE: CENTRAL GOVERNMENT INCOME AND EXPENDITURE

(Millions of Belize dollars)

	1979	1980	1981 <sup>a</sup>
<b>1. Current income</b>	<b>64.4</b>	<b>73.6</b>	<b>86.5</b>
Direct taxes	14.9	20.1	21.5
Indirect taxes	39.8	44.2	51.5
Non-tax revenue	9.7	9.3	13.5
<b>2. Current expenditure</b>	<b>52.2</b>	<b>63.7</b>	<b>84.2</b>
Wages and salaries	24.6	27.4	32.9
Goods and services	19.4	26.5	
Other	8.2	9.8	
<b>3. Saving on current account (1 - 2)</b>	<b>12.2</b>	<b>9.9</b>	<b>2.4</b>
<b>4. Capital income</b>	<b>1.8</b>	<b>1.3</b>	<b>1.3</b>
<b>5. Capital expenditure</b>	<b>30.6</b>	<b>94.7</b>	
<b>6. Total expenditure (2 + 5)</b>	<b>82.8</b>	<b>94.7</b>	<b>124.0</b>
<b>7. Fiscal deficit (1 + 4 - 6)</b>	<b>-16.6</b>	<b>-19.7</b>	<b>-36.2</b>
<b>8. Financing of deficit</b>	<b>16.6</b>	<b>19.7</b>	<b>36.2</b>
Domestic financing	0.2	8.0	14.7
External financing	16.4	11.7	21.5

Source: CEPAL estimates on the basis of Ministry of Finance data and unpublished working documents.

<sup>a</sup>Preliminary estimates for 1981.

and then to less than 1% in 1981. This reduction would seem to have been due to the need to raise wages for make up for the higher inflation of recent years, and the likely decline of revenues (with respect to projections) due to the stagnation or downturn of economic activity and export earnings during 1981.

The money supply, defined as currency outside banks plus non-public sector demand deposits,  $M_1$ , increased 6% by the end of September 1981 with respect to the end of 1980. This implies an annual rate of growth of the order of 8%. The same calculation for the total money supply,  $M_2$  which includes quasi-money (time and savings deposits), suggests an annual growth rate of the order of 18%. In the absence of a retail price index, and given the likely stagnation in output, this suggests a rate of inflation of the order of 12-15% for 1981: more or less in line with international inflation, and especially that of the country's principal trade partner, the United Kingdom.





