

## BELIZE

### 1. General trends

Belize's economy continued its upward trend in 2018, with a real GDP growth rate of 3.0% after modest growth of 1.4% in 2017 following the devastating effects of Hurricane Earl in 2016. Growth in 2018 was driven mainly by the tertiary sector, especially the thriving tourism industry, which benefited from the increased number of direct flights to Belize from major cities in Canada, Mexico and the United States, and the effects of the new tourism marketing strategy, which focused on untapped opportunities in non-traditional source countries in South America.

Following a contraction of 8.9% in the first quarter of 2018 due to adverse weather conditions, ageing fruit trees and loss of acreage, output in the primary sector increased in the last three quarters of the year. While production of sugarcane increased by 2.2% in 2018 due to favourable weather conditions and more efficient factory milling, exports of sugar decreased by 24%. Banana production and exports by value, which had rebounded in 2017 after a sharp contraction in 2016 due to the devastation caused by Hurricane Earl, decreased by 7.6% and 9.2%, respectively, in 2018. The papaya industry continued its downward trend after Fruta Bomba and Belize Fruit Packers closed operations in Belize after over 20 years in the country, and papaya production and exports both plummeted in 2018: the latter by 32.6% and 29.5% by volume and value, respectively, relative to 2017. Citrus production declined by 22% in 2018, as a 10% increase in grapefruit production was offset by a 24% decline in production of oranges. Conversely, in the secondary sector, although manufacturing and construction declined in 2018, electricity, gas and water, and mining and quarrying gained 5.9% and 1.1%, respectively, in value.

Belize recorded a primary fiscal surplus of 88.3 million Belize dollars (BZ\$) (2.3% of GDP) and an overall fiscal deficit of BZ\$ 31.9 million (0.8% of GDP) during calendar year 2018. This was a major improvement on the primary fiscal surplus of BZ\$ 9.1 million (0.2% of GDP) and overall fiscal deficit of BZ\$ 103.4 million (2.8% of GDP) during calendar 2017. The projections for fiscal year 2018/19 are for a primary surplus of 2.21% and an overall fiscal deficit of 0.30%, which would outperform the respective targets of 2.12% and -0.73%. High public debt remained a challenge for Belize in 2018.

In 2018, Belize maintained a neutral monetary policy stance with the reserve requirement kept at 23% of deposit liabilities, of which 8.5% in cash and 14.5% in other liquid assets. The commercial banks made no major moves to alter the 1.22% yield on the three-month treasury bill.

The balance-of-payments current account deficit increased marginally, from 7.7% of GDP in 2017 to 8.0% in 2018, while the financial and capital account surplus improved from 3.3% in 2017 to 6.9% in 2018.

Inflation was subdued in 2018, at an average annual rate of 0.3%. As of April 2018, the unemployment rate stood at 9.4%, with the rate for women roughly triple the male rate.

### 2. Economic policy

#### (a) Fiscal policy

Creating a fiscal space for long-term projects remained a major challenge in Belize. The primary fiscal surplus improved from 0.2% to 1.7% of GDP between calendar years 2017 and 2018. The overall

fiscal deficit shrank from 2.8% to 1.3% of GDP between the two years and total revenues increased by 2.5%. The bulk of government revenues stem from tax revenue collection, which accounted for 90.5% of current revenues. In 2018, general taxes on goods and services accounted for 56% of total taxes collected. Moreover, apart from a 6.7% decline in the take from property taxes, tax revenue collection rose across the board between 2017 and 2018. To streamline tax collection and increase transparency, the government approved the consolidation of the income tax and general sales tax departments into a single new entity, the Integrated Tax Administration System (ITAS).

Total expenditure narrowed from 31.6% to 30.9% of GDP between 2017 and 2018. In 2018, outlays on wages and salaries amounted to 36.2% of total expenditure, a 2.2% increase relative to 2017. Despite the fiscal consolidation efforts aimed at reducing wages and salaries in the public sector, the wage bill edged up, highlighting difficulties facing the government in addressing socioeconomic issues while endeavouring to bring this budget item to a sustainable level.

Belize is projected to record a primary surplus of 2.3% of GDP and an overall fiscal deficit of 0.8% of GDP during calendar year 2018. During fiscal year 2018/19, the country is expected to post a gain in total revenues, owing largely to an increase in tax revenues, more specifically taxes on goods and services and on income and profits.

Public debt remained high in 2018, posing a threat to growth as well as macroeconomic stability. The total public debt-to-GDP ratio stood at 93% in 2018, with external and domestic debts accounting for 66.1% and 26.9%, respectively. Between 2017 and 2018, interest payments on the debt increased by 4.8%. Two major payments contributed to the high public debt in 2018: (i) the settlement, for US\$ 6 million, of the claim by NEWCO Belize Ltd for breach of contract over the cancellation of a concession to manage and expand the Philip Goldson International Airport (the sum of US\$ 4.2 million initially awarded by the arbitration tribunal in 2008 plus interest); (ii) the out-of-court settlement—for US\$ 2.5 million—of a long-running lawsuit brought by GDG Acquisitions over breach of a contractual agreement for the provision of telecommunications equipment for the government's wide area network in 2002.

## **(b) Monetary and exchange-rate policy**

The broad money supply (M2) rose by 2.7% in 2018, owing largely to a 3.3% increase in net domestic credit to US\$ 87.4 million. Loans to the government and the private sector increased by 10.2% and 2.5%, respectively. By sector, whereas loans to manufacturing, transport, tourism and building and construction edged up, loans to agriculture and the maritime sector declined in 2018. On average, the sugar industry received 47% of the loans distributed to the agricultural sector, followed by grains (19%) and bananas (17%). Lending to the banana industry was down by a hefty 24 percentage points in December 2018 relative to December 2017. The weighted average deposit rate was 1.21% in 2018 and the weighted average lending rate was 9.12%, resulting in a spread of 7.92 percentage points.

The Central Bank of Belize drafted a national financial inclusion strategy in 2018, with the aim of modernizing the country's financial system and increasing access to financial services. As part of financial modernization efforts, a debit scheme and management system will be set up to facilitate payments between transacting parties.

The central bank has continued to pursue the consolidation of a sound and safe financial system and in 2018 revoked the licence of Choice Bank Limited to operate in Belize as an international bank, citing liquidity concerns. Conversely, accreditation was extended to Spanish Lookout Credit Union to operate as a credit union.

### (c) Other policies

Following the publication in October 2017 of *Harmful Tax Practices - 2017 Progress Report on Preferential Regimes* by the Organization for Economic Cooperation and Development (OECD), in which the assessment conducted by the Forum on Harmful Tax Practices (FHTP) listed Belize as a country having a harmful international business companies regime, the Government of Belize reviewed and satisfactorily amended that regime. Belize also took the opportunity to replace its Export Processing Zone Act, which contained certain harmful business practices, with a new Designated Business Processing Areas Act, which was passed in December 2018.

A referendum was held in Belize on 8 May 2019 to determine whether the long-standing territorial dispute with neighbouring Guatemala should be referred to the International Court of Justice, and the proposal was approved by 55% of the voters. However, the anticipated hiring of a legal team and court proceedings are likely to impose huge financial costs on the country.

## 3. The main variables

### (a) The external sector

The balance-of-payments current account deficit widened marginally, from 7.7% to 8.0% of GDP, between 2017 and 2018. While the trade deficit on goods widened by 13.9% to US\$ 445.4 million, the trade surplus on services increased by 31.6% to US\$ 395.0 million. In 2018, goods exports were dominated by food and live animals, which accounted for 86.7% of total export values, followed by mineral fuel and lubricants (6.3%) and chemical products (3.1%). By value, goods exports declined by 11.6% to US\$ 393.91 million, whereas imports of goods increased by 4.9% to US\$ 1915.48 million, and were composed chiefly of machines and transport equipment (20.4%), goods entering through commercial processing zones (16.9%), mineral fuel and lubricants (14.8%), manufactured goods (12.8%) and food and live animals (11.5%). While the United Kingdom (36.3%), the United States (23.0%) and the Caribbean Community (CARICOM) (18.8%) were the top three destinations for Belize's exports, the United States (42.5%), China (12.0%) and other Central American countries (11.2%) were its top three sources of imports. Altogether, Belize's trade deficit on goods and services narrowed from 3.2% to 1.7% of GDP between 2017 and 2018, partially reflecting increases in inflows from tourism and other services (including government goods and services).

In 2018, Belize recorded a capital account surplus (US\$ 24.0 million) and a financial account deficit (US\$ 109.2 million). In 2017, outflows of foreign direct investment (FDI) had increased to US\$ 114.34 million, following the final settlement payment (US\$ 98.9 million) and repatriation of funds for the nationalization of Belize Telemedia Limited (a formerly privately-owned telecommunications company). In 2018, while FDI inflows increased by 9.1% to US\$ 151.5 million, FDI outflows declined by 71.2% to US\$ 32.9 million, resulting in five-fold increase in net FDI to US\$ 119.54 million between the two periods. Moreover, reserve assets shrank by 72.5% to US\$ 17.8 million in 2018, owing largely to a US\$ 17 million decline in net foreign assets of the central bank.

### (b) Economic activity

In 2018, the Belizean economy grew by 3.0%, following the modest but encouraging growth rate of 1.4% in 2017. Growth in 2018 was driven mainly by the tertiary sector, spearheaded by expansion in tourism-related activities, followed by the primary and secondary sectors. Buoyed by 12.6% and 19.1% increases in both stop-over arrivals and cruise-ship passengers, the tourism industry also benefited from an

increase in the number of direct inbound flights from Canada, Mexico and the United States. For instance, in August 2018, Aeroméxico, Mexico's flag carrier airline, announced the start of seasonal direct flights twice weekly from Mexico to Belize, from November to April. Moreover, within the tertiary sector, restaurants and hotels, wholesale and retail commerce, and transport, storage and communications expanded by 12.9%, 5.9% and 2.9% respectively.

Following contractions in agriculture, hunting and forestry (by 4.4%) and fishing (41.2%) in the first quarter of 2018, the primary sector rebounded and contributed 3.6% of real GDP in 2018. Despite adverse weather conditions and loss of acreage in first quarter, banana production declined by only 7.6% in 2018 and gradually approached pre-Hurricane-Earl normal production levels. Increased production by Santander Sugar Group contributed to a 2.2% rise in sugarcane production in 2018 relative to 2017. Citrus production declined by 22.1%, owing mostly to a 24% decrease in production of oranges, notwithstanding the 10% increase in grapefruit production. Exports of marine products increased by 2.5%, mostly reflecting higher exports of farmed shrimp and apparent success in fighting early mortality syndrome (EMS), a bacterial disease that has plagued the industry since 2014. The livestock industry thrived, with 25% and 24.6% increases in the production of slaughtered beef and pork, respectively, in 2018.

The secondary sector improved marginally relative to 2017. While mining and quarrying and electricity, gas and water expanded their output by 1.1% and 5.9%, respectively, manufacturing and construction contracted by 3.6% and 0.7%, respectively. The downturn in construction was partially attributable to a major slowdown in work in some of the municipalities in the third quarter of 2018.

**(c) Prices, wages and employment**

Average annual inflation rate was 0.3%, a 0.8-percentage-point decline on 2017. While the costs of communication, transport, restaurants and food, and alcoholic beverages and tobacco declined, health and education costs remained high.

As of April 2018, the overall unemployment rate stood at 9.4%, slightly down on the 9.7% recorded in 2017. However, the level of unemployment in Belize displays a major gender disparity, with a rate of 5.6% for men, as against 14.9% for women. The gap is also reflected in low labour force participation by women (52.8%) relative to men (78.3%).

Table 1  
**BELIZE: MAIN ECONOMIC INDICATORS**

	2010	2011	2012	2013	2014	2015	2016	2017	2018
	<b>Annual growth rates b/</b>								
Gross domestic product	3.4	2.2	2.9	0.9	3.7	3.4	-0.6	1.4	3.0
Per capita gross domestic product	0.9	-0.2	0.7	-1.4	1.5	1.3	-2.7	-0.7	1.0
Gross domestic product, by sector									
Agriculture, livestock, hunting, forestry and fishing	7.9	-4.3	6.3	6.0	2.4	-11.2	-22.8	9.8	3.4
Mining and quarrying	5.0	3.7	8.9	-5.9	-14.1	-3.6	8.3	-20.5	...
Manufacturing	-8.2	-2.6	-7.6	-19.4	-7.5	-14.7	-7.5	6.5	-3.6
Electricity, gas and water	21.0	-3.4	-8.5	10.0	3.7	3.5	6.2	3.1	5.9
Construction	-24.6	-4.0	5.4	17.6	6.6	18.7	11.7	-3.7	-0.7
Wholesale and retail commerce, restaurants and hotels	9.0	6.0	5.2	5.9	3.8	5.6	14.5	6.3	7.0
Transport, storage and communications	4.8	1.4	5.1	-3.1	1.5	5.0	1.5	0.0	2.9
Financial institutions, insurance, real estate and business services	2.5	-0.2	-1.2	-3.3	4.3	11.7	0.3	-2.5	-0.5
Community, social and personal services	0.9	0.3	4.7	-1.1	5.1	8.4	3.2	3.2	3.1
Gross domestic product, by type of expenditure									
Final consumption expenditure	5.3	3.8	2.2	3.7	1.5	5.1	5.4	-3.6	...
Government consumption	3.8	-1.4	4.1	0.7	5.1	5.8	8.3	0.6	...
Private consumption	5.6	4.9	1.8	4.4	0.8	5.0	4.9	-4.5	...
Gross capital formation	-36.4	38.0	-13.6	28.3	15.9	20.0	-0.6	-3.8	...
Exports (goods and services)	14.0	2.6	6.3	3.8	-1.4	-0.8	-9.7	6.0	...
Imports (goods and services)	10.9	12.2	1.7	10.5	3.5	9.6	1.6	-0.6	...
Balance of payments	<b>Millions of dollars</b>								
Current account balance	-46	-20	-33	-73	-136	-175	-163	-131	...
Goods balance	-171	-175	-209	-268	-337	-423	-473	-388	...
Exports, f.o.b.	476	604	628	608	589	538	443	458	...
Imports, f.o.b.	647	778	837	876	926	961	916	846	...
Services trade balance	191	169	218	240	270	274	310	341	...
Income balance	-158	-98	-118	-118	-143	-95	-109	-155	...
Net current transfers	92	84	76	73	74	70	108	72	...
Capital and financial balance c/	51	38	89	190	221	71	104	64	...
Net foreign direct investment	95	95	193	92	138	59	31	25	...
Other capital movements	-45	-57	-105	98	82	12	...	...	...
Overall balance	5	18	55	117	85	-104	-59	-67	...
Variation in reserve assets d/	-5	-18	-55	-117	-85	104	59	67	...
Other financing	0	0	0	0	0	0	0	0	...
Other external-sector indicators									
Net resource transfer (millions of dollars)	-107	-60	-30	72	78	-24	-4	-91	...
Gross external public debt (millions of dollars)	1 021	1 032	1 029	1 083	1 127	1 177	1 203	1 256	1 267.3
Prices	<b>Annual percentages</b>								
Variation in consumer prices (December-December)	0.0	2.6	0.8	1.6	-0.2	-0.6	1.1	1.0	-0.1
Nominal deposit rate e/	5.9	4.7	3.0	2.3	1.8	1.6	1.3	1.2	1.2
Nominal lending rate f/	13.9	13.3	12.3	11.5	10.9	10.3	9.8	9.5	9.1
Central government g/	<b>Percentages of GDP</b>								
Total revenue	28.0	28.5	26.9	29.3	29.7	29.0	29.1	29.8	30.7
Tax revenue	23.6	22.6	22.6	23.5	25.1	24.5	25.6	26.0	27.4
Total expenditure	29.3	29.9	27.2	31.1	33.5	36.2	33.4	31.2	31.0
Current expenditure	24.7	24.5	22.6	24.2	24.8	25.7	26.4	27.0	26.9
Interest	3.7	3.4	1.9	2.7	2.6	2.5	2.5	2.7	2.6
Capital expenditure	4.6	5.4	4.6	6.9	8.8	10.6	7.0	4.1	4.1
Primary balance	2.5	2.0	1.5	0.9	-1.3	-4.8	-1.8	1.4	2.2
Overall balance	-1.2	-1.4	-0.4	-1.8	-3.8	-7.3	-4.3	-1.3	-0.3
Non-financial public sector debt	72.3	70.7	72.8	78.5	75.6	78.4	83.8	92.4	91.1

Table 1 (concluded)

	2010	2011	2012	2013	2014	2015	2016	2017	2018
Money and credit	<b>Percentages of GDP, end-of-year stocks</b>								
Domestic credit	69.6	64.4	62.9	58.2	57.3	64.9	70.1	70.2	70.2
To the public sector	6.7	5.5	5.6	1.2	0.6	8.7	14.5	16.0	16.3
To the private sector	62.9	58.9	57.2	57.0	56.7	56.1	55.7	54.2	53.9
Monetary base	14.9	16.0	18.1	20.5	24.2	28.9	27.8	23.4	20.7
Money (M1)	26.7	25.3	28.2	35.3	34.9	38.8	43.4	40.8	41.5

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

a/ Preliminary figures.

b/ Based on figures in local currency at constant 2000 prices.

c/ Includes errors and omissions.

d/ A minus sign (-) indicates an increase in reserve assets.

e/ Weighted average rate of deposit rates.

f/ Rate for personal and business loans, residential and other construction loans; weighted average.

g/ Fiscal years, from April 1 to March 31.

Table 2  
**BELIZE: MAIN QUARTERLY INDICATORS**

	2017				2018				2019	
	Q.1	Q.2	Q.3	Q.4	Q.1	Q.2	Q.3	Q.4	Q.1	Q.2 a/
Gross domestic product (variation from same quarter of preceding year) b/	1.3	0.6	0.0	3.9	1.3	6.2	3.3	1.3	...	...
Gross international reserves (millions of dollars)	371	386	370	326	295	297	291	282	273	265 c/
Consumer prices (12-month percentage variation)	2.3	0.6	0.7	1.0	-0.6	0.6	1.0	-0.1	0.3	0.0 c/
Nominal interest rates (average annualized percentages)										
Deposit rate d/	1.3	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2 e/
Lending rate f/	9.6	9.5	9.4	9.3	9.2	9.2	9.1	9.0	9.1	9.2 e/
Interbank rate	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.6 c/
Monetary policy rates	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0 e/
Sovereign bond spread, Embi Global (basis points to end of period) g/	655	730	669	771	753	750	761	858	845	811
Domestic credit (variation from same quarter of preceding year)	8.6	1.8	-1.6	1.8	4.3	7.8	7.8	5.1	4.1	6.2 e/

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

a/ Preliminary figures.

b/ Based on figures in local currency at constant 2000 prices.

c/ Figures as of May.

d/ Weighted average rate of deposit rates.

e/ Rate for personal and business loans, residential and other construction loans; weighted average.

f/ Figures as of July.

g/ Measured by J.P.Morgan.