Belize

The recovery in the Belizean economy continued in 2011 with growth projected at 2.5%, compared with 2.9% in 2010. Growth was fuelled by the manufacturing and electricity, water and gas sectors and by improved tourism activity. Inflation is projected to exceed 2% by year end, while unemployment is expected to decline as activity picks up. The fiscal position strengthened as higher revenues from improved petroleum tax receipts outpaced the increase in expenditures. Nevertheless, monetary conditions remained subdued with a marginal decline in credit, reflecting weak private-sector confidence. Meanwhile, recovery in import demand was expected to lead to a widening of the external current account deficit. The forecast for 2012 is for 3% GDP growth, driven by a broad-based expansion in agriculture and electricity generation and distribution.

Fiscal policy continued to focus on increasing revenues and containing spending to rein in debt, while maintaining social programmes aimed at reducing poverty. Receipts from the petroleum sector and import duties stemming from the recovery in import demand will serve to reduce the overall fiscal deficit from 1.9% of GDP in calendar year 2010 to 0.9% of GDP in 2011. Revenue is expected to remain stable at 27% of GDP, while expenditure is projected to decline from 29% of GDP to 28% of GDP. During the first nine months of 2011, the fiscal deficit contracted by almost 75% to BZ$ 13 million, reflecting windfall tax gains from higher petroleum prices. With the government paying off some debt at banks with part of the windfall gains, public-sector debt narrowed from 85% of GDP to 82% of GDP, year-on-year to September.

The central bank sought to provide some monetary stimulus by lowering its policy-based lender-of-last-resort rate from 18% to 11% and reducing the securities requirement of commercial banks from 5% to 3% to encourage banks to increase their lending to the private sector. Nevertheless, in an environment of weak business confidence, private sector credit grew by only 2%. Therefore, the 4.2% expansion in the broad money supply was fuelled by net foreign assets, including tourism receipts owing to the rally in activity in that sector. Non-performing loans remained elevated at 15.2% of the total loan portfolio, leading to some concern on the part of the central bank.

The exchange rate remained relatively stable, with a marginal depreciation in the real rate in 2011.

During the first half of 2011, GDP surged by 5.7%, driven by robust activity in electricity and water, wholesale and retail trade and tourism. Nevertheless, a contraction in the second semester will bring the overall rate for the year down to 2.5%, marginally lower than the 2.9% recorded in 2010. Manufacturing contributed to higher growth, as improved productivity in the sugar sector raised output by 11.7%. Tourism was boosted by a 2.1% increase in stay-over visitor arrivals year-on-year to August, underscoring the nascent recovery in major markets. Petroleum output contracted by 3.4% to 984,203 barrels, reflecting reduced output from the maturing Spanish Lookout field.

Growth is expected to improve marginally to 3% in 2012, underpinned by continued recovery in tourism and the electricity sector and a rebound in agriculture. However, the relative weakness in major markets poses a downside risk to this forecast.

Despite the hike in international fuel prices and more buoyant domestic demand, inflation moderated to 1.0% at the end of May 2011 from 1.8% a year earlier, but the annual rate is expected to exceed 2%. Inflation was tempered by declines in the cost of household goods and maintenance (4.2%) and food and beverages (0.8%). Meanwhile, higher fuel prices were still partly transmitted in transport and communications, and rent, fuel and water. The rate of unemployment was expected to decline, owing to the multiplier effects of improved tourism, manufacturing and activity in the Free Zone.

The balance-of-payments current account deficit was projected to expand from 0.9% of GDP in 2010 to 1.2% of GDP in 2011. The actual outcome might be better than projected, however, as a surplus of 3.3% of GDP was registered during the first half of the year, fuelled by dynamic growth (36.1%) in exports, which offset the 24.5% increase in imports. Petroleum export earnings increased by 72.7% to US$ 80.1 million due to high prices for Belize's fairly sweet crude. Following import compression in the previous year, imports rebounded owing mainly to higher payments for more expensive fuel products. Remittances declined, reflecting the continued weakness of the United States economy. A sharp fall in foreign direct investment, linked to weak investor sentiment, contributed to a deficit of US$ 9.5 million on the capital and financial account. International reserves increased marginally to US$ 218.2 million, or 4.2 months of merchandise import cover. In 2012, the current account deficit is projected to expand to 4.5% of GDP largely on account of higher imports and reduced merchandise exports.

BELIZE: MAIN ECONOMIC INDICATORS

	2009	2010	2011 [a]
	Annual growth rates		
Gross domestic product	0.0	2.9	2.5
Per capita gross domestic product	-2.0	0.6	0.6
Consumer prices	-0.4	0.0	0.9 [b]
Money (M1)	1.0	-0.8	15.6 [c]
	Annual average percentages		
Unemployment rate [d]	13.1	…	…
Central government overall balance / GDP [e]	-2.8	-1.9	-0.9
Nominal deposit rate [f]	6.3	5.9	4.9 [g]
Nominal lending rate [h]	14.1	13.9	13.4 [g]
	Millions of dollars [h]		
Exports of goods and services	728	830	904
Imports of goods and services	782	779	865
Current account balance	-83	-12	-17
Capital and financial balance [i]	130	16	9
Overall balance	47	4	-8

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Preliminary estimates.
[b] Twelve-month variation to February 2011.
[c] Twelve-month variation to October 2011.
[d] Includes hidden unemployment.
[e] Fiscal year.
[f] Deposit rate, weighted average.
[g] January-October average.
[h] Lending rate, weighted average.
[i] Includes errors and omissions.