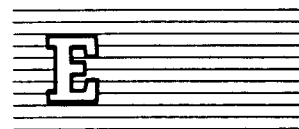


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**ECONOMIC SURVEY  
OF LATIN AMERICA**

**1982**

**BELIZE**

This preliminary version of the *Economic Survey of Latin America*, 1982 is being distributed in the form of a general introduction, under the symbol E/CEPAL/L.286, and a number of addenda, each containing a study of the economic evolution of a country of the region. The complete Survey will be published later.

### Notes and explanation of symbols

The following symbols have been used in the tables in this Survey:

Three dots (...) indicate that data are not available or are not separately reported.

A dash (—) indicates that the amounts is nil or negligible.

A blank space in a table means that the item in question is not applicable.

A minus sign (-) indicates a deficit or decrease, unless otherwise indicated.

A full stop (.) is used to indicate decimals.

A slash (/) indicates a crop year or fiscal year, e.g., 1969/1970

Use of a hyphen (-) between years, e.g., 1960-1970, signifies an annual average for the calendar years involved, including the beginning and the end years.

References to "tons" mean metric tons, and to "dollars" United States dollars, unless otherwise stated.

Unless otherwise stated, references to annual growth rates or rates of variation mean cumulative annual rates.

Figures and percentages in tables may not necessarily add up to the corresponding totals, because of rounding.

## BELIZE

### 1. Recent economic trends: Introduction and summary

In 1982 output dipped by 0.3%, for the second time in the last four years, as gains in the sugar cane subsector, manufacturing and government were outweighed by the declines in construction, commerce, other agriculture and finance. Particularly noteworthy was the almost 8% rise in the production of the sugar cane industry, obtained thanks to an expansion of both area and yields, and the 21.5% depression of construction activity, as a result principally of the completion of several large public sector projects.

The per capita product declined almost 3% in 1982, and was thus about 6% lower than it had been in 1978 (see table 1).

While the deterioration in the terms of trade pushed gross domestic income down some 6%, an upturn in private unilateral transfers limited the net decrease in national income to less than 4%. In per capita terms both of these measures of income nevertheless remained considerably above their respective 1978 levels, thanks to the sustained improvement in external relative prices between 1978 and 1981.

At market prices, domestic expenditure diminished almost 8% in 1982, mainly because investment spending dropped close to 17%. The extent of this cutback virtually mirrored that experienced by the quantum of imports of goods and non-factor services. Consumption went down much less, as government maintained and in fact increased its consumption, in spite of the fall in domestic income.

In contrast to the contraction in investment, gross domestic savings rebounded from the extremely low level registered the year before to those prevailing in 1979 and 1980. As a proportion of the product, domestic savings rose from 6.8% in 1981 to 10% in 1982 and financed about 43% of the (reduced) capital formation in 1982, *vis-à-vis* less than 25% in 1981. Net unilateral private transfers financed 38% of domestic investment in 1982, against less than 27% in 1981.

In 1980, the last year for which data are available, the number of unemployed reached 14.3% of the labour force. With the slowdown in economic growth in 1981, and the decline in GDP in 1982, it is probable that the rate of unemployment has increased since then. However, the strong recovery of sugar production in 1982 may have compensated partially for the negative employment effects of the downturn in the rest of the economy.

The rate of increase of consumer prices slowed marginally from 10.3% in 1981 to 9.3% in 1982, according to the results of the interpolation of data from surveys conducted in 1980 and in February 1983. On the basis of annual averages, prices rose 9.6% in 1982, *vis-à-vis* 11.4% in 1981. Whatever the precise movement of consumer prices really was in 1981 and in 1982, it can be affirmed that the average rate of inflation in Belize between 1980 and 1982 exceeded by a considerable margin the one prevailing in the prices of goods and services that the country traded. In fact, the implicit price index of the imports of goods and non-factor services diminished more than 1% between 1980 and 1982, while that of exports decreased somewhat more than 4%.

Between 1980 and 1982 real wages appear to have increased in the neighbourhood of 3% to 4% in spite of the fact that both gross output and income per worker probably declined. In 1981 wages hikes took place as a result of legislated increases for government workers and collective bargaining agreements in the private sector. In 1982 wage rates for government employees did not vary, but wage agreements in the private sector provided for increases of between 10% and 20%.

In 1982 the quantum of exports of goods and services dropped 10%. This decline, combined with the negative evolution of external prices, led to a plunge of 17% in the purchasing power of exports. The total capacity to import likewise fell by 17%, as the increase in remittances from abroad was neutralized by the decrease in the real net imports of capital.

The quantum of imports of goods and non-factor services went down by more than 15% in 1982. While this cutback was large enough to curtail the trade deficit in spite of the decrease in the export quantum and the deterioration in the terms of trade, it was insufficient to stem the loss of international reserves. Moreover, in relation to imports gross international reserves remained at about the same precariously low amount observed in each of the preceding three years, when import quantum was much greater.

As a proportion of gross domestic product, the trade deficit declined from 23% in 1981 to 19% in 1982, while the current account deficit was lowered from 18% to 11% of GDP, which was the smallest proportion in the last five years. However, the notable downturn in net capital inflows offset most of this reduction, so that the overall balance of payments remained in deficit, albeit by a much smaller amount than the year before (see table 1).

In 1982 the relatively small external debt rose 38% in constant prices and thus stood at twice the level of 1978. In relation to GDP the gross external public debt rose to close to 58% in 1982, from less than 42% in 1981 and only 30% in 1978. Inasmuch as exports are similar to the product, however, the potential burden of the external public debt is considerably less than the comparison with GDP suggests.

Table 1  
BELIZE: PRINCIPAL ECONOMIC INDICATORS

	1978	1979	1980	1981	1982 <sup>a</sup>
<b>A. Basic economic indicators</b>					
Gross domestic product at factor cost (millions of 1980 Belize dollars)	239.0	235.8	245.8	252.3	251.6
Population (thousands of inhabitants)	135.7	140.0	145.4	148.3	152.0
Gross domestic product per capita (1980 Belize dollars)	1 761	1 684	1 691	1 701	1 655
<b>Growth rates</b>					
<b>B. Short-term economic indicators</b>					
Gross domestic product	...	-1.3	4.3	2.6	-0.3
Gross domestic product per capita	...	-4.4	0.4	0.6	-2.7
Gross domestic income	...	6.9	18.4	5.2	-5.6
Gross national income	...	6.4	13.3	2.0	-3.8
Terms of trade, goods and non-factor services	...	6.6	12.1	2.3	-5.2
Current value of exports of goods and non-factor services		11.5	32.1	3.2	-18.9
Current value of imports of goods and non-factor services		21.7	13.8	6.8	-19.4
<b>Prices</b>					
Consumer prices (average variation)	...	...	...	11.4	9.4
Implicit GDP price deflator	...	18.0	16.3	6.8	-5.8
<b>Money (end of year)</b>					
M <sub>1</sub>	45.7	2.5	13.0	-5.0	-0.5
M <sub>2</sub>	26.6	3.2	12.8	8.9	6.2
<b>Central government</b>					
Current income	...	...	26.1	2.4	3.8
Current expenditures	...	...	18.0	17.0	1.7
Saving/current income <sup>b</sup>	...	16.7	21.6	10.5	12.3
Total expenditure	...	...	16.9	16.1	0.4
Overall balance/total expenditure <sup>b</sup>	...	-13.7	-8.9	-19.7	-15.4
<b>Millions of US dollars</b>					
<b>C. Trade balance</b>					
Current account balance	-23.0	-37.9	-23.4	-30.1	-23.5
Overall balance of payments	-11.1	-24.5	-12.2	-22.2	-14.0
Gross international reserves	4.1	-2.1	2.5	-2.1	-0.5
Gross international reserves	14.0	10.5	12.7	10.3	9.8
Gross external public debt <sup>c</sup>	30.2	38.9	47.3	54.5	71.6

<sup>a</sup> Preliminary figures. The income and expenditure of the central government are budgeted amounts.

<sup>b</sup> Per cent.

<sup>c</sup> Contracted and disbursed. Includes the debt of the central government and the public sector financial institutions.

The uneven but on the whole negative performance of the economy in 1982 is clearly attributable in large part to the unfavourable conditions prevailing in the international economy. In this connection, the virtual collapse of the international price of sugar and the radical cutback in Belize's quota in the United States sugar market stand out. High interest rates and the rise of the United States dollar also prejudiced the economy.

In 1982 the world price of sugar tumbled to a level that in real terms was comparable only to that obtaining in the Great Depression. This occurred in part because the United States markedly reduced external access to its protected market. For Belize the cutback was from 67 000 long tons to 26 800 long tons annually. The country was thus obliged to get rid of some 20% of its total sugar exports at a price equivalent to a mere 37% of that obtained in subsidized EEC and United States markets. As a result, the average price it obtained in 1982 was 29% below that received in 1981. The extent of the damage can be gauged by reference to the fact that in 1980 value added in the sugar cane subsector accounted for almost 25% of Belize's GDP and more than 57% of its domestic merchandise exports.

Notwithstanding the foregoing, local factors —including in particular domestic economic policy— were partly responsible for the unsatisfactory performance of the economy.

In principle, fiscal and monetary policies are subordinated to exchange rate policy, the aim of which is to maintain Belize's monetary accounts fixed in terms of United States dollars. However, in recent years and particularly in 1982, government finances have deteriorated markedly, resulting in excessive growth of domestic financial assets, inflation rates above those prevailing in the international economy, declines in the real exchange rate, and reserve losses. Between 1980 and 1982 Central Bank credit to the central government climbed 183% and accounted for 197% of the 42% expansion in the monetary base, while total domestic bank credit to the central government rose 171% and was responsible for 38% of the 55% expansion in overall domestic credit.

As far as exchange rate policy itself is concerned, whether or not Belize could modify its real effective exchange rate by manipulating its nominal one is open to question. However, the linkage of its monetary accounts to a single, unstable foreign currency in circumstances in which trade is conducted in various currencies necessarily exposes Belize's effective exchange rate to instability. Between 1980 and 1982 the country's real effective exchange rate declined 15% for exports and more than 17% for imports, partly as a result of the divergence of domestic from international inflation and partly due to the linkage with the United States dollar.

Finally, attention may be drawn to the inflationary effects of the increase of some 25% in wages between 1980 and 1982. Wages are conditioned to some extent by the government's wage policies for its own employees and by its participation on the Wages Council, which sets minimum wages for a limited number of job categories, but it appears that the evolution of wages depends mainly on collective bargaining agreements reached in the private sector.

While the expansive fiscal and monetary policies may have cushioned to some extent the repercussions of the international recession on domestic output and employment, the potential costs that such a policy course can have in an economy as small and open as Belize are high.

## 2. Trends in economic activity

### a) *Product and income*

In 1982 the gross domestic product, whether at factor cost or in market prices, declined 0.3%. The extent of the decrease in the gross national product was virtually the same. Gross domestic income, however, fell much more sharply, by 5.6%, due to the marked downturn in the international price of sugar, the country's main export, as well as to the big cutback in Belize's quota in the United States market. On the other hand, a notable upturn in net private transfers offset the adverse effect of the drop in the terms of trade sufficiently to limit the net decrease in national income to 3.8%. Nevertheless, gross domestic expenditure was slashed almost 8%, as the severe deterioration in the terms of trade and the decrease in export quantum forced consumer incomes down and drove interest rates up throughout most of the year (see table 2).

### b) *Supply and demand*

With domestic economic activity stagnant the pronounced cutback in imports of goods and non-factor services pushed total supply down by 8%. The relative magnitude of the curtailment of

domestic demand was somewhat less, as the sustainment of government consumption expenditures mitigated the depressive impact of the almost 17% plunge in investment expenditures. The relatively much smaller reduction of private consumption likewise blunted the effects of the marked contraction in capital formation on domestic demand (see table 3).

The counterpart of the rise in domestic demand with respect to total supply was of course a reduction in the quantum of exports which exceeded the cutback in total demand. However, the magnitude of the decline of external sales in constant prices was appreciably less than that of imports. This was explained in part by the deterioration of relative international prices.

Table 2  
BELIZE: SUMMARY NATIONAL ACCOUNTS STATISTICS

	Millions of dollars at 1980 prices				Growth rates			
	1979	1980	1981	1982	1979	1980	1981	1982
Gross domestic product at market prices	235.8	245.8	252.3	251.6	-1.4	4.3	2.6	-0.3
Gross domestic product at factor cost	288.1	300.5	308.4	307.6	-1.3	4.3	2.6	-0.3
Net imports of goods and non-factor services	54.4	47.0	64.2	40.1	428.0	-13.6	36.6	-1.9
Net private transfers	34.1	29.8	22.8	26.7	-6.8	-12.6	-23.5	17.1
Net factor payments to the rest of the world	4.9	7.2	7.6	7.6	-41.0	46.9	5.6	-
Terms-of-trade effect	-28.2	-	6.3	-7.4				
Gross domestic expenditure	290.1	292.8	316.5	291.7	16.4	0.9	8.1	-7.8
Gross national product	230.8	238.6	244.7	244.1	-	3.4	2.6	-0.2
Gross domestic income	207.6	245.8	258.7	244.2	6.9	18.4	5.2	-5.6
Gross national income	236.8	268.4	273.8	263.3	6.4	13.3	2.0	-3.8

Source: ECLA, on the basis of national accounts data provided by the World Bank.

Table 3  
BELIZE: SUPPLY AND DEMAND

	Millions of Belize dollars at 1980 prices				Growth rates			
	1979	1980	1981	1982 <sup>a</sup>	1979	1980	1981	1982 <sup>a</sup>
Total supply	603.9	630.1	647.1	594.6	4.6	4.3	2.7	-8.1
Gross domestic product at market prices	288.1	300.5	308.4	307.6	-1.3	4.3	2.6	-0.3
Imports of goods and non-factor services	315.8	329.8	338.8	287.0	10.8	4.4	2.7	-15.3
Total demand	603.9	630.1	647.1	594.6	4.6	4.3	2.7	-8.1
Domestic demand	342.5	347.4	372.6	347.7	13.3	1.4	7.3	-6.7
Gross fixed investment	84.0	83.8	85.2	71.0	11.1	-0.2	1.7	-16.7
Consumption	258.5	263.7	287.4	276.7	14.0	2.0	9.0	-3.7
Private	199.4	205.5	223.1	211.5	12.3	2.9	8.6	-5.2
General government	59.0	58.1	64.3	65.2	19.7	-1.5	10.7	1.4
Exports of goods and non-factor services	261.4	282.7	274.5	246.9	-4.8	8.1	2.9	-10.1
Terms-of-trade effect	-28.2	-	6.3	-7.4				

Source: ECLA, on the basis of national accounts data provided by the World Bank.

<sup>a</sup>Preliminary figures.

<sup>b</sup>Includes inventories.

Table 4

BELIZE: STRUCTURE OF SUPPLY AND DEMAND<sup>a</sup>

(Percentages)

	1978	1979	1980	1981	1982
<b>Total supply</b>	<b>197.6</b>	<b>209.6</b>	<b>209.7</b>	<b>209.8</b>	<b>193.3</b>
Gross domestic product at market prices	100.0	100.0	100.0	100.0	100.0
Imports of goods and non-factor services	97.6	109.6	109.7	109.8	93.3
<b>Total demand</b>	<b>197.6</b>	<b>209.6</b>	<b>209.7</b>	<b>209.8</b>	<b>193.3</b>
Domestic demand	103.5	118.9	115.6	120.8	113.0
Gross fixed investment	25.9	29.2	27.9	27.6	23.1
Consumption	77.6	89.7	87.8	93.2	90.0
Private	60.8	69.2	68.4	72.3	68.8
General government	16.9	20.5	19.3	20.8	21.2
Exports of goods and non-factor services	94.0	90.7	94.1	89.0	80.3
Terms-of-trade effect	-15.3	-9.8	-	2.0	-2.4

Source: ECLA, on the basis of national accounts data provided by the World Bank.

<sup>a</sup>1980 prices.

Table 5

## BELIZE: SAVINGS AND INVESTMENT

(As a percentage of gross domestic product)<sup>a</sup>

	1978	1979	1980	1981	1982
Gross fixed investment	25.9	29.2	27.9	27.6	23.1
Gross domestic savings	22.4	10.3	12.2	6.8	10.0
Net factor payments to the rest of the world	2.8	1.7	2.4	2.5	2.4
Net private transfers	12.5	11.8	9.9	7.4	8.7
Terms-of-trade effect	-15.3	-9.8	-	2.1	-2.4
Gross national savings	16.8	10.6	19.8	13.8	13.9
Public sector					
Private sector					
Foreign savings	9.1	18.6	8.1	13.8	9.2

Source: ECLA, on the basis of national accounts data provided by the World Bank.

<sup>a</sup>At 1980 market prices

The modifications of the structure of supply and demand consequent on the above movements may be observed in table 4. Perhaps the most noteworthy feature was the big decline in the participation of the external sector in the economy. As a percentage of the product, imports dropped from 109.8% in 1981 to 93.3% in 1982, and exports decreased from 89% to 80.3%. While the share of imports in the product in 1982 was not much different, however, from that obtaining in 1978, before a big improvement in the terms of trade took place, the share of exports observed in 1982 signified an even larger cutback *vis-à-vis* 1978 than in relation to 1981.

c) *Savings and investment*

While investment plunged in 1982, domestic savings rose sharply in terms of constant prices, thereby returning close to the level of 1979/1980, although remaining far below that of 1978. Thus, as a proportion of the product gross domestic savings rose from 6.8% in 1981 to 10% in 1982. However, in 1978 gross domestic savings had amounted to more than 22% of the product, before dropping to between 10% and 12% in 1979 and 1980 (see table 5). In contrast, gross national saving as a fraction of the product was virtually unchanged in 1982, since the expansion in private transfer was neutralized by the deterioration in the terms of trade. On the other hand, it was still considerably below the five-year high of almost 20% of GDP recorded in 1980. For its part, foreign saving declined

from 13.8% to 9.2% of the product between 1981 and 1982. As a result, the share of external saving in the financing of domestic investment dropped from 50% to 40%. During the last five years, its share had been as high as 63.7% in 1979 and as low as 29% in 1980. Domestic savings financed 43% of domestic capital formation in 1982, *vis-à-vis* less than 25% in 1981. Net private transfers reached an amount equivalent to almost 38% of domestic investment expenditures in 1982, in comparison to somewhat less than 27% in 1981. In an economy as small, open and as heavily dependent on one crop as is Belize, such wide swings in savings are inevitable. However, thanks to the relative stability of private transfers and foreign capital inflows, the country has been able to maintain investment expenditures at a high and much more stable level.

d) *The sectoral evolution of the product*

Notwithstanding the strong performance turned in by the key sugar cane industry, the overall gross domestic product declined slightly in 1982. In effect, the depression of construction activity, coupled with the large fall in the value added by commerce, restaurants and hotels, more than offset the almost 8% rise in the product of the sugar cane subsector. Furthermore, output also declined in agriculture other than sugar cane, and in finance. On the other hand, in both government and manufacturing it rose by 5%, thanks in the latter case to the increase in the processing branch of the sugar industry, while in both basic services and other non-basic services value added expanded by some 2% (see table 6).

That the direction of change of the gross national product was opposite to the product of the sugar cane industry for the second consecutive year is accounted for partly by the fact that international sugar cane prices have in the last two years varied inversely to the production of sugar cane in Belize.

Table 6  
BELIZE: GROSS DOMESTIC PRODUCT BY SECTOR OF ORIGIN

(At factor cost)

	Millions of Belize dollars at 1980 prices				Sectoral distribution		Growth rates			
	1979	1980	1981	1982 <sup>a</sup>	1978	1982 <sup>a</sup>	1979	1980	1981	1982 <sup>a</sup>
<b>Gross domestic product</b>	235.8	245.8	252.3	251.6	100.0	100.0	-1.3	4.3	2.6	-0.3
<b>Goods</b>	141.9	149.2	153.8	153.7			-5.7	5.1	3.1	-
Agriculture	108.6	113.9	117.0	119.3	48.9	47.4	-7.0	4.9	2.7	2.0
Sugar cane	57.3	60.7	58.0	62.5	27.2	24.8	-12.0	6.0	-4.4	7.8
Other crops and livestock	36.0	41.8	43.0	42.1	16.4	16.7	-8.4	16.0	3.0	-2.1
Forestry	7.5	4.4	4.8	4.3	2.1	1.7	42.3	-41.0	8.1	10.5
Fishing	7.9	7.0	11.2	10.4	3.1	4.1	6.8	-11.1	59.5	-6.9
Mining and quarrying	.8	.8	.8	.7	0.3	0.3	-	0.8	-	-
<b>Industry</b>	32.5	34.6	36.0	33.7	13.8	13.4	-1.2	6.5	4.0	-6.4
Manufacturing	18.6	20.6	20.3	21.3	8.4	8.5	-7.1	10.7	-1.4	5.0
Construction	13.9	14.0	15.7	12.3	5.4	4.9	7.7	0.5	12.5	-21.5
<b>Basic services</b>	13.2	13.6	14.5	14.8	5.0	5.9	9.5	3.0	6.6	2.1
Electricity and water	3.9	3.9	3.9	4.0	1.5	1.6	10.7	0.6	-0.5	2.7
Transportation, storage and communications	9.3	9.7	10.6	10.9	3.6	4.3	8.4	4.4	9.6	2.0
<b>Non-basic services</b>	80.7	83.0	84.0	83.2	32.0	33.1	5.6	2.9	1.2	-1.0
Commerce, restaurants and hotels	26.7	28.7	28.4	25.6	11.3	10.2	-1.1	7.8	-1.2	-10.0
Finance and insurance	3.0	3.0	3.0	2.9	1.2	1.7	7.3	-0.3	-1.8	-0.7
Ownership of dwellings	13.7	14.2	14.8	15.1	5.2	6.0	10.8	3.7	3.7	2.0
Government	31.2	30.9	31.6	33.2	11.9	13.2	10.0	-1.2	2.5	5.0
Other	5.9	6.1	6.2	6.4	2.5	2.5	4.1	1.2	1.5	2.2

Source: ECLA, on the basis of national accounts data provided by the World Bank.

<sup>a</sup>Preliminary figures.



Table 7

## BELIZE: INDICATORS OF AGRICULTURAL PRODUCTION

	Thousands of long tons				Growth rates			
	1979	1980	1981	1982	1979	1980	1981	1982
<b>Production of main crops</b>								
Sugar cane	989.2	1 013.5	970.1	1 095.5	-11.9	2.5	-4.3	12.9
Bananas	16.1	15.0	10.5	10.0	62.1	-6.8	-30.0	-4.6
Oranges	23.2	45.4	43.5	43.6	-17.2	95.3	4.1	0.2
Grapefruit	6.8	14.9	21.3	25.6	-32.0	117.7	43.5	20.0
Rice (paddy)	6.7	8.6	10.9	8.0	5.0	29.3	25.8	-26.8
Corn	15.5	18.6	21.4	21.4	-20.9	20.6	14.6	-
Red kidney beans	1.0	1.4	1.7	1.8	3.7	37.2	23.7	2.6
<b>Production of livestock</b>								
Beef	1.2	1.1	1.0	0.9	-0.6	-9.9	-4.1	-9.7
Poultry	2.0	2.1	2.2	2.3	41.0	3.3	3.2	4.2
Pork	0.3	0.2	0.2	0.2	-13.7	-26.1	-25.1	-4.1
<b>Production of other agricultural commodities</b>								
Timber <sup>a</sup>	8.2	9.3	8.1	7.3	30.2	14.1	-13.0	-10.0
Fish	0.5	0.5	0.6	0.6	...	-5.2	33.4	-11.1
Honey	0.2	0.2	0.2	0.2	18.5	1.8	-8.6	8.9

Source: ECLA, on the basis of data provided by the Ministry of Finance and Economic Development, Central Statistical Office.

<sup>a</sup>Thousands of board feet.

i) *Agriculture*. Thanks to the turnaround in the production performance of sugar cane, overall agricultural output rose by 2% in 1982, in spite of the decrease in value added by other crops and by livestock, fishing and forestry (see table 6).

Total sugar cane output climbed to 1 095 000 long tons following the 4% downturn registered the year before, so that this branch not only recovered the 1980 level of production but registered the second largest harvest on record. The production of grapefruit expanded by an appreciable margin for the third straight year, while the output of red kidney beans likewise continued to rise, but at a much slower pace. On the other hand, the rice harvest plunged almost 27%, while the output of bananas dipped close to 5%. The production of both oranges and corn was more or less unchanged (see table 7).

In the livestock subsector the output of beef and pork declined by almost 10% and a little over 4%, respectively, while that of poultry remained relatively buoyant. Timber production was down by 10% in 1982, while the tonnage of the fish catch dropped 11%.

After peaking in 1978 at some 1 123 000 long tons (very near the maximum capacity of the refineries at the prevailing levels of sugar content) the output of sugar cane declined considerably over the next three years before experiencing a 13% upturn in 1982. The 1979-1981 downturn was mainly the consequence of the damage inflicted by froghopper infestation as well as by smut and rust disease. Inclement weather also played a role. The resulting fall of over 17% in gross yields was only partially offset by the less than 5% rise in the area harvested. Since 1979 some 5 260 hectares (21% of the total 1982 area) have been replanted with smut-resistant varieties of cane, while aerial spraying of tracts plagued by the froghopper has taken place. These efforts finally bore fruit in 1982. However, gross yields still remained substantially below the 1978 level, due in part to the fact that smut-resistant cane is initially less productive than traditional varieties (see table 8).

While the gross yield went up in 1982 the net yield—as measured by the sugar content of the cane—was down about 4%. On the other hand, the molasses content rose more than 4% and this increase together with the strong recuperation of the cane harvest, produced the largest output of molasses in the industry's history.

In contrast to the good production performance turned in by the industry in Belize, the price situation in the international market became untenable for even the most efficient producers in 1982, as prices plunged to levels that in real terms were even below those recorded in the Great Depression.

This occurred partly because in May 1982 the United States slashed export quotas in its protected market. For Belize the reduction was from 67 000 long tons to 26 800 long tons annually. Needless to say, this was a heavy blow, as the country was forced to get rid of some 19 000 long tons at a price equivalent to only 37% of that prevailing in the regulated and subsidized EEC and United States markets and to only 40% of the estimated breakeven price for efficient domestic producers.

While the persistent and marked contraction of sugar prices has yet to result in a retrenchment in Belize —indeed, it is estimated that the 1982/1983 crop may well exceed the 1977/1978 record harvest— Belize Sugar Industries (BSI), the majority of the stock of which is foreign owned, has made it known that in order to avoid a radical cutback in the production of sugar to a quantity similar to the 67 800 long tons reserved for Belize in the subsidized United States and EEC markets, the Government will have to introduce compensatory adjustments in taxation, production levies and domestic prices. At the same time, cane farmers must be prepared to accept a reduction in their share of the industry's revenue from the current 65% to 60%.

Such a drastic retrenchment would devastate the country, inasmuch as it would involve the shutdown of the 40 000 ton capacity La Libertad refinery, a reduction of some 37% in the industry's output, and a direct loss of more than 12% of overall GDP and 9% of the economy's jobs. The direct effects of such a move on the balance of payments, domestic expenditure and the Government's budget would likewise be intolerably severe, to say nothing of the indirect costs it would also engender.

In these circumstances it seems surprising that a feasibility study effected by a United States consulting firm for the transnational owner of BSI recommended at about the same time that refining capacity be doubled. In the process it was envisioned that the transnational would reduce its holdings of BSI stock from 90% to 15% of the total.

ii) *Industry.* As a result almost exclusively of the sizeable increase in the output of sugar and molasses, overall manufacturing activity rose 5% in 1982. Also contributing to this growth was the appreciable upturn in the output of flour following two years of big declines, and the continued expansion of the manufacture of batteries. However, the production of all the other main items declined more or less sharply. Thus, the output of beer and stout dipped 8%; that of metal products dropped 12%; that of fertilizer slid more than 16%; that of cigarettes fell 18%; and that of clothing plunged 52% (see table 9).

The downturn in consumer non-durables such as beer and cigarettes reflected the cutback in private consumption expenditures consequent on the fall in income and the rise in interest rates. The decline in the production of metal products, mainly roofing and nails, was induced by the depression of construction activity. The marked falling off in the production of wearing apparel went hand-in-hand with the shrinkage of the external market, which absorbs the bulk of the industry's output.

Table 8

**BELIZE: AREA, PRODUCTION AND YIELDS IN THE SUGAR INDUSTRY**

	1978	1979	1980	1981	1982	1978	1979	1980	1981	1982
<b>Production<sup>a</sup></b>										
Sugar cane	1 123.1	989.2	1 013.5	970.1	1 095.5	20.0	-11.9	2.5	-4.3	12.9
Sugar	113.6	98.6	103.3	97.7	106.0	23.6	-13.2	4.8	-5.2	8.5
Molasses	37.1	33.0	32.3	32.0	37.7	25.3	-11.1	-2.1	-0.9	17.8
<b>Area harvested<sup>b</sup></b>	23.6	24.2	24.7	24.7	25.1	8.3	2.5	2.1	-	1.6
<b>Yields</b>										
Sugar cane <sup>c</sup>	47.6	40.9	41.0	39.3	43.6	11.0	-14.1	0.2	-3.9	10.9
Sugar <sup>d</sup>	101.1	99.7	101.9	100.7	96.8	3.0	-1.4	2.2	-1.2	-3.9
Molasses <sup>d</sup>	33.0	33.4	31.9	33.0	34.4	4.4	0.1	-4.5	3.4	4.2

Source: ECLA, on the bases of data from the Ministry of Finance and Economic Development, Central Statistical Office, *Quarterly Bulletin*, March 1983, No. 3.

<sup>a</sup>Thousands of long tons.

<sup>b</sup>Thousands of hectares.

<sup>c</sup>Long tons per hectare.

<sup>d</sup>Long tons per 100 long tons of sugar cane.

Table 9

## BELIZE: INDICATORS OF MANUFACTURING PRODUCTION

	Thousands of tons <sup>a</sup>				Growth rates			
	1979	1980	1981	1982	1979	1980	1981	1982
Sugar	98.6	103.3	97.7	106.0	-11.9	2.5	-4.3	12.9
Molasses	33.0	32.3	32.0	37.7	-11.1	-2.1	-0.9	17.8
Flour	7.2	6.6	4.1	5.0	4.4	-8.0	-37.5	19.8
Beer and stout <sup>b</sup>	73.1	68.9	88.9	81.8	13.9	-5.7	29.0	-8.0
Cigarettes <sup>c</sup>	62.8	63.4	68.3	56.0	8.7	1.0	7.7	-18.0
Clothing <sup>d</sup>	1 400.0	1 600.0	1 200.0	577.0	13.1	14.3	-25.0	-51.9
Fertilizers <sup>e</sup>	3 210.0	3 002.0	4 300.0	3 600.0	-2.0	-6.5	43.2	-16.3
Metal products <sup>f</sup>	501.0	400.0	427.0	375.0	2.7	-20.3	6.9	-12.2
Batteries <sup>g</sup>	3 431.0	4 100.0	4 500.0	4 836.0	8.7	19.5	9.8	7.5

Source: ECLA, on the basis of data provided by the Ministry of Finance and Economic Development, Central Statistical Office.

<sup>a</sup>Unless otherwise indicated.

<sup>b</sup>Thousands of gallons.

<sup>c</sup>Millions.

<sup>d</sup>Thousands of pieces.

<sup>e</sup>Tons.

<sup>f</sup>Units.

iii) *Construction*. Value added in construction contracted 21.5% in 1982, due primarily to the completion of several large public sector projects and the deceleration in the pace of work on several others. The latter development stemmed from the campaign to pare-back expenditures that was introduced when it became evident early in the fiscal year that the recession would push revenue collection considerably below the projected levels. Private construction was also very sluggish, as a result of the high rates of interest prevailing in the domestic banking system.

iv) *Tourism*. For the second consecutive year the total number of tourists visiting Belize declined, according to preliminary figures. The drop in 1982 amounted to 4.4%, *vis-à-vis* one of 2.3% the year before. As only very moderate growth was experienced in 1979/1980, the total number of tourists in 1982 was below that of 1978 (see table 10).

Notwithstanding the decline in the number of visitors, preliminary figures show that tourist expenditures remained at the level of 1981. Thus, while the total number of arrivals was down some 2% between 1978 and 1982, total expenditures were up almost 67%.

The growth in the economy's capacity to accommodate tourists tailed-off notably in 1982, as the rate of expansion was limited to 2% for hotel rooms and 3% for hotel beds in comparison to average rates of 16.6% and 13%, respectively, in the 1978-1981 period. From the data on tourists and hotel capacity it seems likely that the average rate of occupancy was down again in 1982. Between 1978 and 1981, it fell from 110.4% to 70.7% for rooms, and from 61.9% to 43.6% for beds. Nevertheless, the current rates of occupancy are high enough to permit further expansion, particularly in view of the expected upturn in tourist arrivals. In this connection it may be noted that several hotels are at present under construction, including the first one of international category, to be located in Belmopan.

The decline in tourism in the past two years reflects to a large extent the international recession. This was aggravated in 1982 by the Mexican payments crisis, which not only curtailed radically the number of tourist arrivals from that country, but may well have diverted potential visitors from third countries. It is also plausible that the decline in the effective real exchange rate has pushed down the number of arrivals. On the other hand, those who have arrived have spent more.

To date Belize has only marginally tapped the very sizeable earnings it could derive from tourism. The country offers varied types of scenic beauty, including the Pine Mountain Range, numerous lakes, some 400 islands and keys, and the largest barrier reef in the Western Hemisphere. The beaches, as well as the quality of diving and fishing, are comparable to those of the most popular tourist destinations in the Caribbean. Moreover, Belize contains imposing and numerous archaeological relics. Finally the country is located close to the principal source of tourists in the

world, and is likewise very accessible, by air or overland. Notwithstanding all these powerful considerations Belize is one of the least visited of all the Caribbean basin countries. At present the main obstacles to the exploitation of this potential would appear to be the dearth of facilities sufficient for handling much larger numbers of tourists, and the virtual non-existence of a marketing campaign to tap the big tourist markets. Clearly, these factors are explained largely by decisions made prior to Belize's independence. However, the extent to which tourism is to be promoted has yet to be determined by the new authorities, owing in part to concerns over the effects of a much larger tourist industry on such a small population. In this connection it may be noted that while the overall number of tourist arrivals is modest, in relation to the population it is already relatively high compared to the rest of the Caribbean.

v) *Employment and unemployment.* Notwithstanding the moderate rate of growth of the population on the one hand and the relatively high rate of growth of output on the other, the rate of unemployment shot up from 5.7% of the labour force in 1970 to 14.3% in 1980. With the decline in the growth of economic activity in 1981 and the drop in GDP in 1982, it is probable that unemployment has continued to rise. However, the strong recovery in 1982 of the sugar industry, which employs up to 25% of the labour force during the harvest, may have compensated to some extent the negative employment effects of the downturn on the rest of the economy.

Between 1970 and 1980, the average natural rate of increase of the population was —at 3.4%— quite high, but heavy emigration (mainly to the United States) kept net population growth down to 1.95% per annum.<sup>1</sup> However, the working-age population rose 2.55% per year because net emigration was skewed in favour of the dependent population. Moreover, the growth rate of the economically active population (3.35% per annum) was almost as fast as the natural rate of increase, due to the surge in the rate of participation of the working-age population in the labour force from 60% to 65%. This phenomenon was in turn exclusively the result of the sharp upturn in the female labour force participation rate from 21.6% to 30.3%. In these circumstances, despite the 2.4% annual increase in employment there was a more than three-fold increase in the number of unemployed.

The rate of unemployment for males went up from 6.8% to 11.3%, while the female unemployment rate soared from 0.5% to 24.5%. In 1980 teenage unemployment stood at 40%, while the rate of unemployment in Belize City was 21.8%. Fully 65% of the unemployed in 1980 were thus aged 15 to 19 and almost half lived in Belize City.<sup>2</sup> In contrast, the rate of unemployment at prime working age (24-59) was 4.8% overall and 4.2% for males. Outside of Belize City the unemployment rate was 10.7%. Finally, it should be observed that the high incidence of unemployment among females, teenagers and residents of Belize City exists side by side with a large number of unfilled jobs in agriculture. To a certain extent the emigration of Belizeans is motivated by a lack of desired job opportunities in Belize City, while immigration from neighbouring countries is encouraged by job opportunities in the rural sector. Indeed, the large rise in the overall rate of unemployment was, in contrast to virtually all other experiences, accompanied by a *decline* in urbanization, which dropped from 52.5% to 50% of the population between 1970 and 1980.

With respect to the distribution of the labour force by kind of economic activity, no substantial changes were observed between 1970 and 1980. In the latter year, 37.1% of the labour force was engaged in agriculture (including forestry and fishing); 14.9% in industry (manufacturing and construction); 5.9% in basic services, and 42.1% in non-basic services. The Government employed 11.7% of the labour force.<sup>3</sup>

<sup>1</sup>In this connection it may be noted that while large numbers of inhabitants emigrated, significant numbers of immigrants, mainly from neighbouring countries, settled in Belize. As a result, the racial and cultural composition of the nation underwent notable changes. For example, by 1980 the proportion of the population which spoke Spanish as a first language had climbed to almost 32%, while that which spoke English as the mother tongue had dropped to less than 51%. Indications are that in recent years the pace of immigration from neighbouring countries has stepped-up considerably.

<sup>2</sup>In 1980 12% of the economically active population was in the 15-19 age bracket, while 32.5% of said population resided in Belize City.

<sup>3</sup>The preliminary results of the 1980 population census have been published recently by the Statistical Office of the Ministry of Finance and Economic Development: *Belize 1980 Population Census*. "Population, Race, Religion, Language, Marital Status" (Bulletin 1, May 1982); "Employment, Industrial and Occupational Groups" (Bulletin 2, July 1982); and "Housing, Education and Training, Migration" (Bulletin 3, January 1983).

Table 10

## BELIZE: TOURISM INDICATORS

	1978	1979	1980	1981	1982	1978	1979	1980	1981	1982
Total visitors	60 587	61 712	63 735	62 262	59 500 <sup>a</sup>	10.00	1.9	3.3	-2.3	-4.4
Short stay <sup>b</sup>	18 954	27 270	22 207	21 294	...	-0.2	43.9	18.6	-4.1	...
Long stay <sup>c</sup>	40 957	34 442	41 528	40 568	...	17.7	-15.1	20.6	-2.3	...
Cruise ship passengers	676	-	-	-	...	-	-	-	-	-
Origin										
United States	19 823	20 172	19 187	18 057	...	8.6	1.8	-4.9	-5.9	...
Europe	8 448	5 186	3 985	5 172	...	55.8	-38.6	-23.2	29.8	...
Canada	3 346	2 990	2 249	2 046	...	14.9	-10.6	-24.8	-10.0	...
United Kingdom	1 693	1 524	2 421	1 496	...	18.2	-10.0	59.1	-38.2	...
Others	26 601	31 842	35 893	35 491	...	-	19.7	12.7	-1.1	...
Arrival										
By sea	1 624	862	766	536	...	25.7	-46.9	11.1	-30.0	...
By air	31 056	20 749	19 625	17 421	...	10.4	-33.2	-5.4	-11.2	...
Overland	27 907	40 103	43 344	44 305	...	8.8	43.7	8.1	2.2	...
Average stay (nights)	5.7	5.2	5.6	5.6	...	1.7	-8.8	7.7	-	...
Hotel capacity										
Rooms	854	1 076	1 166	1 352	1 377	...	26.0	8.4	16.0	1.8
Beds	1 524	1 851	1 990	2 192	2 256	...	21.5	7.5	10.2	2.9
Average rate of occupancy										
Rooms	110.4	82.2	84.0	70.7	...	...	-25.5	2.2	-15.8	...
Beds	61.9	47.8	49.2	43.6	...	...	-22.8	2.9	-11.4	...
Total receipts from tourism <sup>d</sup>	4.5	6.7	7.0	7.5	7.5	16.9	48.9	4.5	7.1	...

Source: ECLA, on the basis of data provided by the Tourist Board and the World Bank.

<sup>a</sup> Estimated.

<sup>b</sup> Less than three nights.

<sup>c</sup> Three or more nights.

<sup>d</sup> Millions of US dollars.

### 3. The external sector

#### a) Introduction

In 1981 the quantum of exports of goods and non-factor services was no higher than it had been in 1978, and in 1982 it plunged by 10%. This contraction, combined with a considerable deterioration in the terms of trade, led to a 17% drop in the purchasing power of exports. The overall capacity to import likewise fell by 17% as the rise in real private transfers was offset by a decrease in real net imports of capital. Total import capacity was thus some 5% below the level it had attained in 1978, due to the stagnation in the purchasing power of exports and the appreciable downturn in both real private transfers and real net imports of capital between that year and 1982 (see table 11).

The quantum of imports of goods and non-factor services shrank by more than 15% in 1982, thus falling to a level similar to the one recorded in 1978. While this reduction was large enough to permit a curtailment of the trade deficit in spite of the drop in the export quantum and the deterioration in the terms of trade, it was insufficient to prevent the international reserves from declining for the second consecutive year. Moreover, in terms of imports, the international reserves remained at about the same precariously low level observed in each of the previous three years, when the import quantum was much greater because the real supply of imports had still not been slashed to the full extent that the decrease in the total capacity to import would have dictated.

As a proportion of the product, the deficit on the trade account was lowered from 23% to 19% between 1981 and 1982. The upturn in real private transfers enabled the current account deficit to be reduced from somewhat less than 18% to 11% of GDP, which was the smallest negative balance in the last five years. However, the large downturn in real net capital inflows offset most of this gain, so that the overall balance of payments remained in deficit, albeit by a much smaller amount (see table 11).

In 1982 the relatively small external debt rose sharply, as in real gross terms it climbed more than 38% to about twice as much as in 1978. In relation to the product the gross external debt rose from 41.6% in 1981 to 57.6% in 1982; in 1978 the corresponding proportion was 30.3%. Inasmuch as exports are similar to the gross domestic product, the real burden of the external debt is considerably less than what the comparison with GDP would suggest.

The uneven but on the whole negative performance of the external sector in the last few years is clearly attributable largely to the mostly adverse conditions obtaining in the international economy. However, domestic economic policy cannot escape some blame for the deterioration of the external accounts. Its role shows up on two fronts. First, since 1980, if not before, the real effective exchange rate has been allowed to undergo a large decline —15% for exports and more than 17% for imports— thus discouraging exports of goods and services and imports of capital and encouraging imports of goods and services and exports of capital (see table 12). Clearly, such a development is one that an economy as tiny and open as Belize's can ill afford. Whether or not Belize can influence its real

Table 11  
BELIZE: SUMMARY INDICATORS OF THE EXTERNAL SECTOR

	1978	1979	1980	1981	1982 <sup>a</sup>
<b>Indices (1980 = 100)</b>					
Quantum of exports of goods and non-factor services	97.2	92.5	100.0	97.1	87.3
Purchasing power of exports of goods and non-factor services	81.4	82.5	100.0	99.4	82.5
Purchasing power of factor service receipts <sup>b</sup>	127.2	130.4	100.0	67.9	85.7
Purchasing power of net imports of capital	125.5	168.2	100.0	133.1	94.5
Total capacity to import	88.2	93.1	100.0	100.1	83.2
Quantum of imports of goods and non-factor services	86.5	95.8	100.0	102.8	87.1
Gross international reserves index <sup>c</sup>	131.9	89.8	100.0	78.3	78.3
Months of imports <sup>d</sup>	1.4	0.9	0.9	0.7	0.8
Gross disbursed external debt <sup>e</sup>	76.4	89.6	100.0	110.9	153.3
<b>In terms of gross domestic product (= 100)<sup>f</sup></b>					
Quantum of exports of goods and non-factor services	115.0	110.9	115.0	108.8	98.1
Terms-of-trade effect	-18.7	-12.0	-	2.5	-2.8
Net factor services payments to the rest of the world	3.4	2.1	2.9	3.0	3.0
Net private transfers	15.3	14.5	12.1	9.0	10.6
Purchasing power of net imports of capital	15.2	20.7	11.8	15.3	10.9
Total capacity to import	123.4	131.9	136.0	132.6	110.5
Quantum of imports of goods and non-factor services	119.3	133.9	134.1	134.3	119.9
Balance on trade account	-23.1	-35.0	-19.0	-22.9	-18.9
Balance on current account	-15.3	-14.5	-12.0	-17.6	-11.1
Overall balance of payments	4.1	-1.9	1.9	-1.6	-0.4
Gross international reserves	14.0	9.7	10.3	7.9	10.9
Gross disbursed external debt	30.3	35.9	38.5	41.6	57.6

Source: ECLA, on the basis of data provided by the World Bank, the Ministry of Finance and Economic Development (Central Statistical Office), the Central Bank, and the International Monetary Fund.

<sup>a</sup> Preliminary figures.

<sup>b</sup> Includes net private transfers.

<sup>c</sup> Deflated by the index of prices of imports of goods and non-factor services.

<sup>d</sup> Gross international reserves and imports of goods and non-factor services of each year; end of year gross international reserves.

<sup>e</sup> At factor cost, 1980 prices, at the official exchange rate.

Table 12

**BELIZE: EVOLUTION OF THE REAL EFFECTIVE EXCHANGE  
RATE INDEXES FOR EXPORTS AND IMPORTS**

(1980 = 100)<sup>a</sup>

Annual and quarterly averages	Exports	Imports
1980	100.0	100.0
1981	95.5	95.3
1982	88.1	85.9
I	91.6	90.6
II	89.5	87.7
III	87.4	84.8
IV	85.0	82.8

Source: ECLA, on the basis of data from the Statistical Office of Belize and the International Monetary Fund, *International Financial Statistics*.

<sup>a</sup>These indexes are prepared by adding together the real exchange rate indexes with respect to each country, weighted according to the geographical composition of exports and imports, taking into account Belize's main trade flows. The exchange rate index with respect to a particular country is obtained by dividing the exchange rate index as between the currencies of Belize and the country in question by the consumer price index of Belize and the corresponding price index of that country, preferably the wholesale price index. The numbers of countries covered by the estimates were 4 for exports and 7 for imports, representing 82.5% and 89% respectively of Belize's external trade in the period 1980-1981. For more details on the methodology used, see Part Three of the *Economic Survey of Latin America, 1981*.

effective exchange rate by manipulating its nominal one is certainly open to question. On the other hand, the linking of its monetary accounts to a single, unstable foreign currency, in circumstances in which trade is conducted with several countries, has necessarily exposed Belize's effective exchange rate to instability. Furthermore, it seems evident that the excess of domestic over international inflation must be traced to local factors, including economic policy. Second, domestic demand was not deflated to a level compatible with sustainable balances in the external accounts. As a result, the quantum of imports further depleted the already low gross holdings of external assets and made necessary a sizeable increase in the external debt. Nevertheless, economic policy could be defended in so far as domestic demand also helped limit the decline of GDP and employment in the long run. With such a low initial external debt outstanding on the one hand, and with international sugar prices likely to improve on the other, the reluctance to deflate domestic demand to the full extent required to maintain the external accounts at sustainable levels may well turn out to have been justified, on this occasion.

b) *Trade*

i) *Exports of goods FOB*. In 1982 the current FOB value of domestic merchandise exports dropped by 19% after having declined by 10% in 1981 (see table 13). These figures do not include re-exports of goods. Overall, the current FOB value of merchandise exports fell by 21% in 1982, against a rise of 3.3% in 1981. The proportionally larger contraction of re-exports in 1982 was a consequence of the severity of the external payments crisis in Mexico, which absorbs the lion's share of these exports.

The depression of domestic exports in the last two years can be explained almost exclusively by the marked contraction in the current value of foreign sugar sales, since if there had not been a change between 1981 and 1982 in revenues from sugar exports, overall domestic exports would have remained virtually unchanged, even though another major export, garments, also performed poorly in each of the last two years, plunging 23% in 1981 and more than 42% in 1982. Indeed, with the exception of citrus concentrates and sawn wood, all domestic exports declined in current value in 1982. Overall, the current value of traditional exports was down 17.5% in 1982, after having diminished by 10.3% in 1981, while that of non-traditional exports dropped by 25.4% in 1982 and 6% in 1981 (see table 13).

While declines in volume mainly determined the 1981 downturn in the current value of domestic exports, the 1982 contraction was caused primarily by unfavourable price trends, as may be seen from table 14. The average unit value of sugar exports tumbled 29%, while that of molasses plunged 42%. The prices of sawn wood, citrus concentrates and fish products were all some 10% lower in 1982 than in 1981. To make matters worse, the overall quantum of domestic exports also decreased in 1982, due to the enormous reduction in the volume of garment exports.

As occurred in the case of sugar, protective measures adopted by the major import markets severely prejudiced the fortunes of the garment industry. Unlike the sugar producers, however, garment manufactures were forced to cut back production rather than sell at reduced prices. A possible reason for this may be that at the current exchange rate Belize's garment industry is not competitive outside its traditional market outlet in Britain.

Table 13

**BELIZE: MERCHANDISE EXPORTS<sup>a</sup>**

	Millions of US dollars				Composition		Growth rates			
	1979	1980	1981	1982	1978	1982	1979	1980	1981	1982
Traditional exports	39.6	57.4	51.5	42.5	70.9	71.1	1.0	44.9	-10.3	-17.5
Sugar	31.5	47.7	42.6	32.8	59.7	54.8	-4.5	51.4	-10.7	-23.0
Citrus concentrates	4.5	6.4	6.5	7.0	7.6	11.7	7.1	42.2	1.6	7.7
Sawn wood	1.6	1.1	1.2	1.8	1.6	3.0	77.8	-31.2	9.1	50.0
Molasses	2.0	2.2	1.2	0.9	2.0	1.5	81.8	10.0	-45.5	-25.0
Non-traditional exports	21.1	24.7	23.2	17.3	29.1	28.9	31.1	17.1	-6.1	-25.4
Garments	10.8	14.4	11.1	6.4	17.0	10.7	14.9	33.3	-22.9	-42.3
Fish products	4.4	4.1	7.2	6.3	3.3	10.5	144.4	-6.8	75.6	-12.5
Bananas	3.4	3.5	2.2	2.1	3.1	3.5	100.0	2.9	-37.1	-4.5
Others	2.5	2.7	2.7	2.5	5.8	4.2	-21.9	8.0	-	-7.4
<b>Total</b>	<b>60.7</b>	<b>82.1</b>	<b>74.7</b>	<b>59.8</b>	<b>100.0</b>	<b>100.0</b>	<b>9.8</b>	<b>35.3</b>	<b>-10.0</b>	<b>-19.1</b>

Source: ECLA, on the basis of data provided by the Ministry of Finance and Economic Development, Central Statistical Office.  
<sup>a</sup>Excludes re-exports.

Table 14

**BELIZE: PRICE AND VOLUME OF THE PRINCIPAL DOMESTIC MERCHANDISE EXPORTS**

	Index (1980 = 100)				Growth rates			
	1979	1980	1981	1982	1979	1980	1981	1982
<b>Price</b>								
Sugar	70.0	100.0	96.0	68.1	16.2	42.9	-4.0	-29.1
Molasses	95.5	100.0	66.7	38.6	132.9	4.7	-33.3	-42.1
Sawn wood	93.6	100.0	126.4	113.6	3.9	6.8	26.4	-10.1
Citrus concentrates	100.6	100.0	79.8	72.6	9.7	-0.6	-20.2	-10.0
Bananas	90.0	100.0	87.9	90.3	20.6	11.1	-12.1	2.7
Fish products	97.5	100.0	130.0	116.2	170.1	2.6	30.0	-10.6
Garments	85.8	100.0	122.7	141.2	1.1	16.6	22.7	15.1
<b>Volume</b>								
Sugar	94.3	100.0	93.1	101.0	-17.8	6.0	-6.9	8.5
Molasses	102.8	100.0	90.9	116.1	-13.5	-2.7	-9.1	27.7
Sawn wood	157.7	100.0	88.4	148.7	69.8	-63.4	-11.6	68.2
Citrus concentrates	69.5	100.0	128.3	207.0	-2.1	43.9	28.3	61.3
Bananas	107.3	100.0	70.2	66.6	61.8	-6.8	-29.8	-5.2
Fish products	110.6	100.0	136.6	133.7	-10.2	-9.6	36.6	-2.1
Garments	87.5	100.0	62.5	31.3	13.0	14.3	-37.5	-49.9

Source: ECLA, on the basis of data provided by the Ministry of Finance and Economic Development, Central Statistical Office.



Table 15

BELIZE: MERCHANDISE IMPORTS FOR DOMESTIC CONSUMPTION, CIF<sup>a</sup>

	Millions of US dollars			Composition		Growth rates		
	1980	1981	1982	1979	1982	1980	1981	1982
Food	27.7	31.5	29.8	25.1	30.6	8.4	13.5	-5.1
Beverages and tobacco	2.4	2.7	2.3	2.5	2.4	6.1	12.2	-15.0
Crude materials	0.8	0.7	0.6	0.8	0.7	10.8	-5.7	-10.0
Fuels	24.1	22.0	21.5	13.9	22.0	70.6	-8.7	-2.4
Animal and vegetable oils	0.3	0.2	0.1	0.2	0.1	36.9	-50.2	-10.1
Chemicals	8.0	9.6	0.7	8.2	7.1	-4.6	20.7	-27.9
Manufactured goods	19.0	17.7	13.2	16.2	13.5	15.1	-7.0	-25.5
Machinery	24.4	22.9	15.1	22.1	15.5	8.6	-6.1	-33.9
Miscellaneous manufactured goods	13.6	12.2	7.8	10.7	8.0	25.1	-10.3	-35.9
Miscellaneous	0.7	-3.4	0.2	0.6	0.2	252.0		
<b>Total</b>	<b>121.0</b>	<b>117.7</b>	<b>97.5</b>	<b>100.0</b>	<b>100.0</b>	<b>18.9</b>	<b>-2.7</b>	<b>-17.1</b>

Source: ECLA, on the basis of data provided by the Ministry of Finance and Economic Development, Central Statistical Office.  
<sup>a</sup>Excludes imports that are re-exported.

Table 16

BELIZE: MERCHANDISE IMPORTS, CIF<sup>a</sup>

	Millions of US dollars				Composition		Growth rates			
	1979	1980	1981	1982	1978	1982	1979	1980	1981	1982
Food	32.3	32.8	39.9	36.7	24.2	27.9	25.3	1.7	21.5	-8.1
Beverages and tobacco	3.3	3.2	3.6	3.0	2.7	2.3	13.9	-2.8	10.3	-16.7
Crude materials	1.0	1.2	2.5	2.0	0.5	1.5	81.8	16.0	107.8	-19.8
Fuel	16.6	27.2	25.7	25.0	10.3	19.1	50.4	64.4	-5.8	-2.4
Animal and vegetable oils	0.3	0.7	0.5	0.4	0.2	0.3	45.7	95.8	-25.2	-19.8
Chemicals	10.3	9.7	11.4	8.3	7.1	6.3	36.2	-5.9	17.4	-27.3
Manufactured goods	19.4	20.8	19.7	14.7	17.8	11.2	2.2	7.2	-5.2	-25.4
Machinery	28.4	29.0	28.8	20.1	21.5	15.3	23.9	2.0	-0.6	-30.0
Miscellaneous manufactured goods	19.6	24.0	29.1	21.1	15.0	16.0	23.0	22.3	21.5	-27.7
Miscellaneous	0.6	1.1	0.8	0.2	0.5	0.1	1.8	98.2	-28.4	-79.3
<b>Total imports</b>	<b>131.9</b>	<b>149.8</b>	<b>162.0</b>	<b>131.5</b>	<b>100.0</b>	<b>100.0</b>	<b>23.8</b>	<b>13.6</b>	<b>8.2</b>	<b>-18.9</b>

Source: ECLA, on the basis of data provided by the Ministry of Finance and Economic Development, Central Statistical Office.  
<sup>a</sup>Includes re-exports.

ii) *Imports of goods CIF.* The current CIF value of merchandise imports for domestic consumption fell 17% in 1982 (see table 15). If merchandise imports for re-export are included, the decrease amounted to almost 19% (see table 16).

As far as merchandise imports for domestic consumption are concerned, the cut back reflected downturns in all the major categories. Particularly noteworthy were the size of the reductions of foreign purchases of miscellaneous manufactured goods (-36%), machinery (-34%), chemicals (-28%), and manufactured goods (-25.5%).

iii) *The terms of trade.* In 1982 the terms of trade for goods and non-factor services worsened for the first time in four years (see table 17). The deterioration amounted to somewhat more than 5%, as the 10% drop in average export prices was partially compensated by a 4% decline in import prices.

### c) *The current account*

The current account deficit was slashed from US\$ 22.2 million in 1981 to US\$ 14 million in 1982, mainly as a result of the big cut back in imports of goods and non-factor services. The improvement in the merchandise balance accounted for about 40% of the reduction while the

turnaround in the balance of non-factor services brought about fully 50% of the improvement, the remainder being provided by the upturn in net private unilateral transfers. Attention may also be drawn to the fact that net factor service payments have remained very modest, notwithstanding the big rise in the cost of capital in international financial markets (see table 18).

d) *The capital account and the global balance of payments*

Capital inflows were down sharply in 1982, and that undoubtedly played an important role in the decline in imports, via the depressive effects of higher interest rates on domestic expenditure. The reduction in the net inflow of capital occurred in spite of the fact that net public sector borrowing was virtually double the 1981 figure, and that net official unilateral transfers were up by almost a third on the 1981 amount, because the private sector exported US\$ 8 million worth of capital. This was the first deficit on record and compares with a US\$ 7.4 million surplus the year before. This turnaround largely reflected the direction of the flows generated by the non-bank private sector, although the commercial banks also switched from a surplus to a deficit position. In the absence of other information it would seem plausible to link this reversal to expectations about the future course of the exchange rate.

At all events, the overall deficit on the balance of payments was pared down to US\$ 0.5 million from US\$ 2.1 million the year before, thanks again to the very sizeable cut back in imports of goods and non-factor services and stepped-up public sector borrowing and in spite of the adverse performance of the export quantum, unfavourable price trends and private sector capital outflows. This was the third deficit in the last four years and left gross international reserves at a level that continued to expose the economy to a high degree of vulnerability to external shocks. Moreover, with the large reduction effected in the quantum of imports, the room for manoeuvring to cope with any such future shocks was greatly reduced.

e) *The external debt*

The year 1982 witnessed another large rise in the gross external public debt which climbed to US\$ 71.6 million: almost twice the amount outstanding at the end of 1979 and 3.6 times that registered at the end of 1977. The increase in the net external public debt was somewhat more pronounced, as the net external assets held by the public sector registered a slight decline. Thus, between 1979 and 1982 the net external public debt more than doubled and between 1977 and 1982 it multiplied six times, although it is true that it started from a very small amount (see table 19).

In money terms the expansion of the gross foreign debt exceeded 31% in 1982, which was similar to the rate of increase experienced in the 1977-1981 period, albeit starting from a much larger base. Deflated by import prices the debt climbed 38% in 1982; deflated by export prices the rise was almost 46%.

Table 17

**BELIZE: TERMS OF TRADE, VALUE AND QUANTUM OF EXPORTS  
AND IMPORTS OF GOODS AND NON-FACTOR SERVICES**

	Indices (1980 = 100)				Growth rates			
	1979	1980	1981	1982	1979	1980	1981	1982 <sup>a</sup>
Exports of goods and non-factor services								
Value	75.7	100.0	103.2	83.7	11.5	32.1	3.2	-18.9
Quantum	92.5	100.0	97.1	87.3	-4.8	8.1	-2.9	-10.1
Unit value	81.9	100.0	106.3	95.8	17.2	22.1	6.3	-9.9
Imports of goods and non-factor services								
Value	87.9	100.0	106.8	86.0	21.7	13.8	6.8	-19.4
Quantum	95.8	100.0	102.8	87.1	10.8	4.4	2.8	-15.3
Unit value	91.8	100.0	103.9	98.8	9.9	8.9	3.9	-4.1
Terms of trade	89.2	100.0	102.3	97.0	6.6	12.1	2.3	-5.2

Source: ECLA, on the basis of data provided by the World Bank.

<sup>a</sup> Preliminary figures.

Table 18

## BELIZE: BALANCE OF PAYMENTS

(Millions of US dollars)

	1975	1976	1977	1978	1979	1980	1981	1982 <sup>a</sup>
Exports of goods and non-factor services <sup>b</sup>	68.5	55.5	75.6	96.0	107.1	141.4	145.9	118.3
Goods, FOB	60.2	47.0	66.6	85.2	97.2	131.1	135.4	107.1
Services	8.3	8.5	9.0	10.8	9.9	10.3	10.5	11.1
Imports of goods and non-factor services	87.0	88.2	97.9	119.0	145.0	164.8	176.0	141.8
Goods, FOB	79.6	80.7	90.1	106.5	131.9	149.8	162.0	131.4
Services	7.4	7.5	7.8	12.5	13.1	15.0	14.0	10.4
Merchandise balance	-19.6	-33.7	-23.5	-21.4	-35.7	-18.7	-27.6	-24.3
Trade balance	-18.5	-32.7	-22.3	-23.0	-37.9	-23.4	-30.1	-23.5
Net factor income	-1.7	-1.7	-1.7	-3.4	-2.3	-3.6	-3.9	-3.7
Net private unilateral transfers	15.0	15.0	15.2	15.3	15.7	14.8	11.8	13.2
Balance on current account	-5.2	-19.4	-8.8	-11.1	-24.5	-12.2	-22.2	-14.0
Net official unilateral transfers	4.0	4.1	4.1	3.8	5.5	2.9	5.7	7.5
Long-term capital	5.1	13.0	6.8	11.4	16.9	11.6	14.4	8.0
Public sector	2.1	3.4	4.4	10.5	8.4	7.2	7.0	13.9
Loan disbursements	3.5	4.4	5.4	11.0	9.4	9.1	8.5	15.6
Amortizations	-1.3	-1.0	-1.0	-0.5	-1.0	-1.9	-1.5	-1.7
Private sector	3.0	9.6	2.4	0.9	8.5	4.4	7.4	-7.9
Commercial banks	-1.2	6.7	-2.1	-4.1	2.2	-2.3	2.1	-1.4
Others <sup>c</sup>	4.2	2.9	4.5	5.0	6.3	6.7	5.3	-6.5
Balance on capital account	9.2	17.1	10.9	15.2	22.4	14.5	20.1	13.5
Global balance	4.0	-2.3	2.1	4.1	-2.1	2.3	-2.1	-0.5
Change in gross international reserves (- sign indicates an increase)	-4.0	2.3	-2.1	-4.1	2.1	-2.3	2.1	0.5

Source: ECLA, on the basis of balance of payments data provided by the World Bank, the International Monetary Fund, the Central Bank and the Ministry of Finance and Economic Development, Central Statistical Office.

<sup>a</sup>Preliminary figures.

<sup>b</sup>Includes unrecorded exports.

<sup>c</sup>Includes errors and omissions.

As a percentage of the gross domestic product at current prices, the gross external debt rose to almost 59% in 1982, compared with 44.2% in 1981 and 34.5% in 1978. The net external debt stood at about 51% of GDP in 1982, *vis-à-vis* 33.6% in 1981 and some 20% in 1978.

In relation to exports of goods and non-factor services, the corresponding figures for the gross debt were 60.5%, 37.4% and 31.5%, respectively, while for the net debt they were 52.3%, 30.4% and 18.0%, respectively (see table 19).

The foreign debt of Belize thus remains relatively low, in spite of the very large increases of the last few years. On the other hand, if those rates of growth were to continue unchecked, in a few short years the magnitude of the debt would overwhelm the size of the economy. In this connection it should be borne in mind that Belize has benefitted in the past from relatively large grants from abroad, but now that it is an independent country, this type of aid may not be forthcoming in such large amounts.

In any case, at present the burden of the service payments is very much lower than what the stock of debt would suggest, partly because until very recently virtually all loans were obtained on concessionary terms, and partly due to the degree of openness of the economy. Thus, in 1982 debt service payments were equivalent to a mere 2.7% of the value of exports of goods and non-factor services. While this was double the proportion registered the year before, it was barely greater than the one experienced in 1977.

In late 1981 and during the course of 1982, however, the Government contracted a number of United States dollar loans from the local branches of foreign banks on commercial terms, in order to solve cash flow problems derived from its own revenue short-falls and those of several public enterprises. This avenue of financing was tapped for a number of reasons. On several occasions the

Government had practically exhausted its borrowing facilities with the Central Bank, which are limited by law. In other instances this type of financing was resorted to because of the urgency of the cash needs, as occurred when the country's oil supply was placed in jeopardy (because payments had been allowed to fall eight months behind schedule). In addition, these foreign currency loans helped to shore-up, at least temporarily, the balance of payments, and were obtained at rates of interest below those prevailing in the domestic capital market (i.e., for loans denominated in Belize dollars). Another factor in resorting to them was the lack of experience in preparing projects capable of attracting financing at concessionary rates. In the future, debt service payments will rise considerably because of these commercial bank loans.

#### 4. Prices and wages

##### a) Prices

The rate of increase of consumer prices slowed down somewhat in 1982, according to the results of the interpolation of data from surveys effected in 1980 and in February 1983. This pattern is broadly consistent with the available fragmentary evidence on price movements during 1981 and 1982.

Table 19

#### BELIZE: EXTERNAL PUBLIC DEBT INDICATORS

	1977	1978	1979	1980	1981	1982
<b>Millions of US dollars</b>						
<b>Gross external public debt<sup>a</sup></b>	19.6	30.2	38.9	47.3	54.5	71.6
Disbursements	5.5	11.2	9.6	9.1	7.9	19.0
Amortizations	1.2	0.6	0.9	0.7	0.7	1.9
Interest payments	0.8	1.2	1.1	1.2	1.3	1.3
Net external public assets	7.8	12.9	9.5	12.2	10.1	9.7
Net external public debt	9.8	17.3	29.4	35.1	44.4	61.9
Grants	4.1	3.8	5.5	2.9	5.7	7.5
<b>Indices (1980 = 100)</b>						
<b>Gross external public debt</b>						
At current prices	41.4	63.8	82.2	100.0	115.2	151.4
Deflated by export prices	...	91.3	92.6	100.0	108.5	158.0
Deflated by import prices	...	76.4	89.6	100.0	110.9	153.2
<b>Net external public debt</b>						
At current prices	27.9	49.3	83.8	100.0	126.5	176.4
Deflated by export prices	...	70.4	102.3	100.0	119.1	178.6
Deflated by import prices	...	59.0	91.2	100.0	121.7	184.0
<b>As a percentage of the gross domestic product at factor cost<sup>b</sup></b>						
<b>Gross external public debt</b>						
At current prices	...	34.8	39.0	38.5	41.2	58.9
Deflated by export prices	...	36.2	40.3	38.5	40.7	59.4
Deflated by import prices	...	30.3	35.9	38.5	41.6	57.6
<b>Net external public debt</b>						
At current prices	...	19.9	29.5	28.6	33.6	50.9
Deflated by export prices	...	20.7	30.5	28.6	33.1	49.8
Deflated by import prices	...	17.3	27.1	28.6	33.8	51.3
<b>As a percentage of exports of goods and non-factor services</b>						
<b>Gross external public debt</b>	25.9	31.5	36.3	33.5	37.4	60.5
Service payments	2.6	1.9	1.9	1.3	1.4	2.7
Amortization	1.6	0.6	0.8	0.5	0.5	1.6
Interest	1.0	1.3	1.1	0.8	0.9	1.1
Net external public debt	13.0	18.0	27.4	24.8	30.4	52.3

Source: ECLA, on the basis of data provided by the World Bank and the Ministry of Finance and Economic Development, Central Statistical Office.

<sup>a</sup> Outstanding and disbursed. Includes the external debt of the central government and of public sector financial institutions.

<sup>b</sup> At the official exchange rate.

Table 20

## BELIZE: EVOLUTION OF PRICES

	Prices indexes				
	Consumer	Food <sup>a</sup>	Clothing <sup>b</sup>	Housing <sup>c</sup>	Miscellaneous <sup>d</sup>
1980	104.5	106.7	108.0	103.9	105.0
February	100.0	100.0	100.0	100.0	100.0
July	104.4	108.8	109.3	103.3	105.0
November	109.2	111.3	114.7	108.3	110.0
1981 <sup>e</sup>	116.4	115.1	121.8	116.8	112.4
February	112.0	112.8	117.5	111.6	111.0
July	116.7	115.3	122.1	117.2	112.5
November	120.4	117.3	125.8	121.6	113.8
1982 <sup>e</sup>	127.6	121.2	132.9	130.1	116.3
February	123.2	118.8	128.6	125.0	114.8
July	127.9	121.4	133.2	130.5	116.4
November	131.6	123.4	136.9	134.9	117.6
1983					
February	134.4	124.9	139.7	138.3	118.6
	Growth rates				
1981 <sup>e</sup>	11.4	7.9	12.8	12.4	7.0
February	12.0	12.8	17.5	11.6	11.0
July	11.8	6.0	11.7	13.5	7.1
November	10.3	5.4	9.7	12.3	3.5
1982 <sup>e</sup>	9.6	5.3	9.1	11.4	3.5
February	10.0	5.3	9.4	12.0	3.4
July	9.6	5.4	9.1	11.3	3.5
November	9.3	5.2	8.8	10.9	3.3
1983					
February	9.1	5.1	8.6	10.6	3.3

Source: ECLA, on the basis of data provided by the Ministry of Finance and Economic Development, Central Statistical Office.

<sup>a</sup>Includes both fresh foods and groceries.

<sup>b</sup>Includes footwear.

<sup>c</sup>Includes household goods, fuels, etc.

<sup>d</sup>Includes medical care and personal goods and services, and entertainment.

<sup>e</sup>Interpolated.

Using the consumer price surveys and interpolation, prices are calculated to have risen 11.4% in 1981 and 9.6% in 1982, on an annual average basis. On a November-to-November basis, consumer prices climbed 10.3% between 1980 and 1981, and 9.3% between 1981 and 1982. The 1981 November inflation likewise represented a slowdown from the rate observed at the beginning of the year (see table 20).

These results suggest that food prices moved up 5.3% on average, in 1982, against almost 8% the year before; that clothing prices rose about 9% in 1982 versus somewhat less than 13% in 1981; that housing prices increased 11.4% in 1982, *vis-à-vis* 12.4% in 1981; and that the prices of miscellaneous goods and services such as medical care and entertainment, were up only 3.3% in 1982, following an average hike of 7% the year before.

Whatever the precise movement of consumer prices in 1981 and 1982, prices in Belize rose during those two years at an average pace (10.5%) that considerably exceeded the inflation rate observed in the prices of the goods and services that Belize traded. In fact, the implicit price index of imports of goods and non-factor services declined 1.2% between 1980 and 1982, while that of exports dropped by 4.2%.

While the direct link between export and domestic prices is not very strong, because the incidence of exported goods and services in consumer expenditures is low, fluctuations in export prices can exert important indirect effects on consumer prices unless the resulting expansion or contraction of consumer incomes is absorbed by adjusting the import volume, the stock of financial assets, and/or the government budget. In contrast, import prices have a large direct impact on

domestic consumer prices, while in addition, like export prices, they can also affect consumer prices indirectly via the effects of their fluctuations on real consumer incomes.

The considerable divergence between the behaviour of external and domestic prices in the last couple of years appears to be traceable mainly to the extraordinary enlargement of the Government's borrowing requirement and the consequent growth of the monetary base, and to the rate of wage hikes, both of which have been far in excess of the expansion of the domestic supply of goods. Thus, between 1980 and 1982 Central Bank credit to the central government soared 183% and accounted for 197% of the approximately 42% growth in the monetary base. At the same time wage increases averaged approximately 12% in 1981, and 13% in 1982, in circumstances in which the gross productivity of labour appears to have declined. In contrast, the supply of goods and services available for domestic consumption was no greater in 1982 than it had been in 1980.

Clearly, the domestic rate of inflation cannot be allowed to exceed the external one by very much or for very long without jeopardizing the exchange rate and the overall stability of the economy—particularly when export prices are so depressed. This implies more or less vigorous constraints on the size and frequency of government borrowing requirements, and the rate of wage increases. But neither of these conditions have been adhered to in the last two years.

#### b) *Wages*

Between 1980 and 1982 real wages appear to have increased in the neighbourhood of 3% to 4% in spite of the fact that both gross output and income per worker probably declined. In 1981 wages were propelled upward both by legislated increases for government workers and by collective bargaining agreements in the private sector. Government employees received pay hikes that fluctuated between 10% and 12.5%, while in the private sector wage raises oscillated between 10% and 15%. In 1982 wage rates for government employees, who account for 9% of the total labour force, did not vary. However, the collective bargaining agreements reached in the private sector provided for increases that ranged from 10% to 20%. In addition, at the end of the year, some of the private sector job categories covered by minimum wage legislation were granted substantial raises.

### 5. Fiscal and monetary policy

In principle, fiscal and monetary policies are subordinated to exchange rate policy, the aim being to keep Belize's monetary accounts steady in terms of United States dollars. However, in recent years government finances have deteriorated considerably, resulting in excessive growth of domestic financial assets, inflation rates above those prevailing in the international economy, declines in the real exchange rate, and reserve losses. On the other hand, the expansive fiscal and monetary policies, which have been supported by large inflows of foreign grants, have cushioned to some extent the repercussions of the international recession on domestic output and employment. These compensatory effects are strictly limited by the size and degree of openness of the economy, however, while the potential costs involved in such a policy course are high. In any case, it still remains to be seen whether or not the gains will outweigh the costs of such countercyclical policy.

#### a) *Fiscal policy*

Following the marked deterioration of the Government's financial situation in the 1981/1982 fiscal year as a result of a large shortfall in projected revenues, and given the expectation of a continuing decline of income in real terms in the short run, the Executive proposed and the Parliament approved a substantial retrenchment in real budgetary outlays for the 1982/1983 fiscal year (see table 21).

It was estimated that current revenue would rise only 3.8% in 1982/1983, which at the prevailing rate of inflation implied a real decrease of 6% to 7%. The projected increase in nominal current revenue was to be obtained from proposed hikes in the specific duties on imported alcoholic beverages other than beer, in the *ad valorem* taxes on imported beer, cigarettes and certain products derived from petroleum, and in the stamp duty on imports. With the existing tax structure it was calculated that current revenue would be no greater in 1982/1983 than it had been in 1981/1982. The rise in current expenditures was to be held to less than 2%, which would allow for an expansion in

Table 21

BELIZE: INCOME AND EXPENDITURE OF THE CENTRAL GOVERNMENT<sup>a</sup>

	Millions of Belize dollars			As a percentage of gross domestic product <sup>b</sup>				Growth rates <sup>c</sup>		
	1980/ 1981	1981/ 1982	1982/ 1983 <sup>d</sup>	1979/ 1980	1980/ 1981	1981/ 1982	1982/ 1983 <sup>d</sup>	1980/ 1981	1981/ 1982	1982/ 1983 <sup>d</sup>
Current revenue	81.9	83.9	87.1	32.6	33.3	31.7	35.8	26.1	2.4	3.8
Budgetary revenue	80.6	82.8	86.1	32.0	32.8	31.3	35.4	26.5	2.7	4.0
Tax revenue	70.5	69.1	72.6	27.6	28.7	26.1	29.8	28.2	-2.0	5.1
Direct taxes	23.3	14.6	19.6	19.9	9.5	5.5	8.1	51.3	-37.3	34.2
Indirect taxes	47.2	54.5	55.0	7.7	19.2	20.6	22.6	19.2	15.5	0.9
Import taxes	30.7	31.9	31.0	13.5	12.5	12.1	12.7	18.1	3.9	-2.8
Excise taxes	4.8	6.4	6.7	1.6	2.0	2.4	2.8	50.0	33.3	4.7
Licenses	1.5	1.6	1.8	0.7	0.6	0.6	0.7	7.1	6.7	12.5
Other tax revenue	10.2	14.6	13.5	4.0	4.1	5.5	5.5	29.1	43.1	-7.5
Non-tax revenue	10.1	13.7	13.5	4.3	4.1	5.2	5.5	17.4	35.6	-1.5
Extrabudgetary revenue	1.1	1.1	1.0	0.7	0.4	0.4	0.4	-15.4	-	-9.1
Current expenditure	64.2	75.1	76.4	27.3	26.1	28.4	31.4	18.0	17.0	1.7
Budgetary expenditure	63.0	73.9	75.2	26.9	25.6	27.9	30.9	17.5	17.3	1.8
Consumption	52.8	58.0	57.6	22.8	21.4	21.9	23.7	16.3	9.8	-0.7
Wages and salaries	27.8	33.9	37.3	10.0	11.3	12.8	15.3	39.0	21.9	10.0
Goods and services	25.0	24.1	20.3	12.7	10.2	9.1	8.3	-1.6	-3.6	-15.8
Interest	3.0	4.7	5.0	1.3	1.2	1.8	2.1	15.4	56.7	-15.8
Transfers	7.2	11.2	12.6	2.9	2.9	4.2	5.2	24.1	55.6	12.5
Rest of public sector	1.9	2.0	2.3	0.8	0.8	0.8	0.9	26.7	5.3	15.0
Private sector	5.3	9.2	10.3	2.2	2.2	3.5	4.2	23.3	73.6	12.0
Extrabudgetary expenditure	1.2	1.2	1.2	0.4	0.5	0.5	0.5	50.0	-	-
Savings	17.7	8.8	10.7	5.3	7.2	3.3	4.4	67.0	-50.3	21.6
Capital revenue	1.3	1.2	2.9	0.8	0.5	0.5	1.2	-13.3	-7.7	141.7
Capital expenditure	27.1	30.9	30.0	11.9	11.0	11.7	12.3	14.3	14.0	-2.9
Total expenditure	91.3	106.0	106.4	39.2	37.1	40.1	43.7	16.9	16.1	0.4
Overall balance	-8.1	-20.9	-16.4	-5.8	-3.2	-7.9	-6.7	-30.2	158.0	-21.5
Domestic financing (net)	3.0	5.6	-2.0	1.0	1.2	2.1	0.8	-37.0	-26.8	12.2
External financing (net)	5.4	15.3	18.4	5.1	2.2	5.8	7.6	-66.7	-73.2	-112.2
Loans	-0.4	4.0	3.5	0.7	-0.2	1.5	1.4	4.9	-19.1	-21.3
Disbursements	1.4	6.0	5.5	1.1	0.6	2.3	2.3	-17.3	-28.7	-33.5
Amortizations	-1.8	-2.0	-2.0	-0.4	-0.7	-0.8	0.8	22.2	9.6	12.2
Grants	5.8	11.3	14.9	4.4	2.6	4.3	6.1	-71.6	-54.1	-90.8
Variation of assets (-sing indicates an increase)	-0.3	-	-	-0.3	0.1	-	-	3.7	-	-

Source: ECLA, on the basis of data provided by the Accountant-General, the Ministry of Finance and Economic Development, the House of Representatives: *Estimates of revenue and expenditure for the year 1982/1983*, Belize, 1982, and the World Bank.

<sup>a</sup>Beginning in 1980 the fiscal year was switched to March/April. The data for 1979/1980 were prorated on the basis of data for January 1949-March 1980.

<sup>b</sup>At current factor cost.

<sup>c</sup>Financing is expressed as a percentage of the overall balance.

<sup>d</sup>Budgeted amounts approved by Parliament.

savings of about one-fifth. However, in both real terms and in relation to GDP government savings would remain very much below the level achieved in 1980/1981. Capital expenditures were slated to decline almost 3% in money terms. This reduction, coupled with the projected upturn in the current account surplus and the expected rise in capital revenues, implied that internally generated funds would finance approximately 45% of the central government's capital outlays, against 32% in 1981/1982. It also left total government expenditures at about the same level as in 1981/1982. In real terms this implied a decline of some 10%, and in relation to GDP a cutback to 36.5% from the 40% registered in the previous fiscal year.<sup>4</sup> At the same time the planned freeze on expenditures would

<sup>4</sup>The figure for 1982/1983 GDP refers to projected 1982 GDP. Note that in table 21 the actual 1982 GDP is used.

enable the central government to trim its overall deficit by more than one-fifth in money terms and from 7.9% to 5.6% of GDP. Together with the expected increase in official unilateral transfers from abroad, this would permit an absolute reduction in the allocation of domestic credit to the central government.

In this connection it should be observed that in recent fiscal years external savings have financed the lion's share of the central government's deficit spending. Moreover, the bulk of these foreign resources has been provided in the form of outright grants. In the 1981/1982 fiscal year the amount of total external financing was equivalent to 5.8% of GDP and it was envisioned that a sum equal to 6.3% of the projected GDP would be forthcoming in the 1982/1983 fiscal year. Of the former total three-fourths consisted of grants and of the latter, four-fifths. Clearly, the availability and magnitude of this type of financing has been a crucial factor so far in permitting the Government to maintain and even increase its expenditures in spite of the stagnation of its revenues, without engendering unsustainable disequilibria in the various sectorial balances. In fact, to some extent the deterioration of the Government's finances may be traceable to the size of the flow of foreign grants.

While the available data are limited, it may be concluded that the financial performance of the central government in the 1982/1983 fiscal year not only turned out to be markedly less favourable than anticipated in the budget but actually represented a substantial downturn *vis-à-vis* that of the previous fiscal year. Thus, preliminary data show that actual recurrent budgetary revenues contracted almost 4% in 1982/1983, while actual current budgetary outlays rose close to 10%. As a result, the savings position of the Government changed from a sizeable surplus to a small deficit—the first in memory. Statistics for capital spending and revenues as well as for external financing are not available, but the relevant data from the consolidated monetary accounts of the domestic banking system clearly suggest that the overall balance of central government finances likewise registered a decided deterioration. Between March 1982 and March 1983 the net credit allocated to the central government by the local banking system climbed by 19.2 million Belize dollars or 69%, in circumstances in which it had been projected that the overall level of net domestic lending to the central government would in fact be reduced. If the actual amount of external financing had been equal to that anticipated in the budget and no cash balances had been accumulated, the overall deficit would have ballooned to (a maximum of) 37.6 million Belize dollars or considerably more than twice the budget estimate (and four-fifths larger than the one recorded in 1981/1982). However, it is known that capital expenditure was held below the budgeted amount, so that the overall deficit was something less than the figure quoted above.

The recent deterioration in the central government's finances has been accompanied by a slight improvement in the negative performance traditionally turned in by the rest of the public sector. On the whole, however, the financial position of this segment of the public sector remained rather precarious and continued to exercise a number of adverse monetary effects.

As in most other developing countries, the overall public sector in Belize is much larger than the central government alone and big in relation to the economy. Suffice it to note that in the fiscal years 1980/1981 and 1981/1982 overall public sector investment outlays accounted for more than one-half of total investment expenditures in the economy and the overall public sector deficit averaged more than 13% of GDP. As has also occurred elsewhere, the management of the finances of the public sector other than the central government has been rather loose, perhaps because it is not subject to the exigencies of a consolidated budget. In any case, it may be observed that in fiscal years 1980/1981 and 1981/1982 the savings of the public sector excluding the central government equalled -0.6% and 0.2% respectively, of GDP, while the corresponding figures for its overall balance were -8.1% and -7.3%, respectively, in circumstances in which, unlike the central government, it did not have access to foreign grants. Therefore, in order to sustain its deficit spending this segment of the public sector had to mobilize net domestic credit equivalent to 2% of GDP in both 1980/1982 and 1981/1982, and net foreign credit equivalent to 6.1% of the product in the former fiscal year and to 5.3% in the latter one. Most of the marked growth observed in the external public debt in the last five years resulted from the pronounced expansion of the borrowing requirements of the public sector outside the central government.

A consolidation of the budgets of this part of the public sector shows that some deterioration was programmed for fiscal year 1982/1983: in terms of projected GDP the implied target for savings was -0.8%; for the overall deficit, 8.3%; for net domestic financing, 0.3%; and for net external



financing 7.9%. However, the monetary accounts statistics for that period reveal that the net credit extended to the public sector other than the central government by the domestic banking system was slashed by 40%. While not conclusive, this information is more consistent with an improvement, rather than a downturn, in financial performance.

#### b) *Monetary policy*

In Belize the room for manoeuvre in the formulation and execution of monetary policy is limited and asymmetrical. The Central Bank can attempt —and has tried with some success— to offset the expansive effects of a sudden improvement in the country's terms of trade or the adverse impact on international reserves and domestic prices of excessive levels of deficit spending. But it probably cannot compensate for the depressive effects of a plunge in the world price of sugar or a surge in external interest rates, nor indeed has it attempted to. The economy is simply too small and specialized. This asymmetry is reinforced moreover by the priority attached to the policy of maintaining Belize's exchange rate fixed (in terms of United States dollars).

The behaviour of the principal monetary aggregates is therefore determined largely by the forces that shape the balance-of-payments results. Here again the influence of domestic factors is mainly limited to the choice of exchange rate and fiscal policies. But what normally matters most is the world price of sugar and the extent of Belize's access to subsidized markets. In recent years the exceptional rise in international interest rates and the availability of foreign grants have also exercised notable effects on the evolution of the money supply.

In spite of the pressures emanating from the highly negative situation obtaining in the international economy on the one hand, and from the rapid expansion of domestic credit to the central government and decline of the real effective exchange rate on the other, the net external assets of the Central Bank declined by only 5% between the end of 1981 and the end of 1982, thanks in large part to the year-end receipt of a sizeable foreign currency loan from the United States. Inasmuch as the Bank's reserve loss was small in relation to the growth of domestic credit in this particular period, the monetary base experienced a considerable expansion. However, if one examines the evolution of these monetary aggregates over the course of the year, it will be found that the growth of net domestic credit was offset almost completely by the contraction of net external assets: in terms of averages, the monetary base was merely 1.6% larger in 1982 than in 1981, although at the end of 1982 it was close to 18% larger than at the end of 1981<sup>5</sup> (see table 22).

In contrast to the notable increase registered in the stock of high-powered money,  $M_1$  declined 0.5% between December 1981 and December 1982. An even more pronounced inverse relation was observed between December 1980 and December 1981, when the 21% growth of base money was accompanied by a 0.5% contraction in  $M_1$ . On the other hand,  $M_2$  expanded in both 1982 and 1981, albeit at rates decidedly below those of the monetary base. On average  $M_1$  diminished more than 5% in 1982, after having increased less than 2% in 1981. The average 1982 variation was more in line with the behaviour of the monetary base, but the 1981 average change, like the December to December variation, diverged markedly from the behaviour of that base. At 14.4% and 2.4%, respectively, the average rate of change of  $M_2$  was broadly similar to that of the monetary base in both 1981 and 1982.

At the end of 1982 the real level of  $M_1$  was some 22% below that obtaining at the end of 1980, while  $M_2$  was 4% lower.

The successive declines experienced, on an end-of-year basis, by the  $M_1$  money multiplier in 1981 and 1982 reflected sharp rises in both the currency/deposit ratio and the reserve/deposit ratio

<sup>5</sup>The annual averages for the main monetary aggregates are as follows:

	1980	1981	1982
Net external assets (Central Bank)	23.3	24.8	17.1
Net domestic assets (Central Bank)	1.6	5.2	13.4
Monetary base	24.9	29.9	30.4
$M_1$	40.0	40.7	38.5
Quasi-money	63.5	77.6	82.8
$M_2$	103.5	118.4	121.2

(see table 22). On the other hand, the sustained downturn in the  $M_2$  money multiplier was a consequence exclusively of the increase in the reserve to total deposit ratio.

The expansion in quasi-money relative to  $M_1$  and in reserves relative to deposits is consistent with the upsurge in the interest rates on savings and time deposits and in the discount rate. On the other hand the failure of the currency ratio to decline and the steep upturn in the reserve ratio are contrary to what one could have expected, given the general advance of interest rates. The extent of the increase in the reserve ratio is particularly noteworthy in light of the rise in the rate of return on commercial bank assets with respect to the Central Bank discount rate (see table 23).

Part of the explanation of these phenomena involves a consideration of conjunctural factors, such as the aforementioned receipt of a large foreign currency loan in December, which can make for unusual results in particular periods. As far as the behaviour of the currency ratio is concerned, the hike in the marginal propensity to consume, which was particularly marked in 1982, could explain

Table 22

**BELIZE: CREATION AND INCOME-VELOCITY OF MONEY**

	1977	1978	1979	1980	1981	1982
<b>Growth rates</b>						
Money						
$M_1$	15.9	45.7	2.5	13.0	-5.0	-0.5
$M_2$	2.5	26.6	3.2	12.8	8.9	6.2
Monetary base	36.2	37.0	-10.0	13.9	20.9	17.6
<b>As a percentage of the variation<sup>a</sup></b>						
<b>Sources</b>						
Net external assets	52.6	149.9	229.0	139.5	-75.9	-18.0
Net domestic assets	47.4	-49.9	-129.0	-39.5	175.9	118.0
Credit	118.4	-16.0	169.7	-155.6	159.6	85.5
Public sector	100.0	100.0	100.0	79.1	102.7	100.0
Central government (net)	100.0	100.0	100.0	73.5	102.6	100.0
Credit	100.0	100.0	100.0	233.3	129.8	5.0
Deposits	-	-	-	-133.3	-29.8	95.0
Other public sector	-	-	-	26.5	-2.6	-
Private sector <sup>b</sup>	-	-	-	20.9	-2.7	-
Other net domestic assets	-18.4	116.0	-69.7	255.6	-59.6	14.5
Capital and reserves	316.3	68.8	42.5	48.4	15.9	-107.4
Other	-216.3	31.2	57.5	51.6	84.1	207.4
<b>Uses</b>						
Cash outside banks	25.9	60.7	1.6	26.0	27.4	28.7
Commercial bank reserves	74.1	39.3	98.4	74.0	72.6	61.3
<b>Ratios</b>						
Cash in circulation/ demand deposits	1.04	.87	.83	.73	.92	1.10
Cash in circulation/ total deposits	.21	.22	.21	.19	.19	.20
Commercial bank reserves/ demand deposits	.50	.45	.31	.36	.61	.88
Commercial bank reserves/ total deposits	.10	.11	.08	.10	.13	.16
<b>Money multiplier</b>						
$M_1$ /monetary base	1.33	1.41	1.61	1.60	1.25	1.06
$M_2$ /monetary base	3.95	3.65	4.19	4.15	3.73	3.37
<b>Income-velocity of money</b>						
GNP/ $M_1$	...	5.72	6.60	7.03	8.11	7.66
GNP/ $M_2$	...	2.21	2.54	2.71	2.73	2.41

Source: ECLA, on the basis on data published by the International Monetary Fund, *International Financial Statistics*, and by the research department of the Central Bank in its *Statistical Digest*.

<sup>a</sup> Each dichotomy sums to 100%.

<sup>b</sup> Commercial banks only.

Table 23

## BELIZE: SECTORAL DISTRIBUTION OF COMMERCIAL BANK CREDIT

	Thousands of Belize dollars				As a percent- age of gross domestic product <sup>a</sup>		Growth rates			
	1979	1980	1981	1982	1978	1982	1979	1980	1981	1982
Production	77 189	82 305	97 964	121 641	33.1	50.0	34.3	6.6	19.0	24.2
Agriculture	25 196	27 059	27 189	26 009	27.1	27.0	12.4	7.4	4.8	-4.3
Sugar cane	13 036	12 553	13 293	10 674	24.5	29.2	29.4	-3.7	5.9	-19.7
Other crops and livestock	10 408	12 506	10 793	12 028	25.6	28.0	29.1	20.2	-13.7	11.4
Forestry	1 424	3 070	2 687	2 776	101.2	59.6	-64.1	115.6	-12.5	3.3
Fishing	328	738	416	531	5.0	4.3	5.1	125.0	-43.6	27.6
Mining and quarrying	-	-	24	1 852	-	243.7	-	-	-	7 616.7
Industry	19 651	21 736	23 733	30 704	62.3	99.8	36.3	10.6	9.2	29.4
Manufacturing	10 272	12 494	11 854	18 199	52.4	107.4	42.8	21.6	-5.1	52.9
Construction	9 379	9 242	11 879	12 585	76.7	90.6	29.8	-1.5	28.5	5.9
Basic services	3 224	1 784	2 598	2 608	30.2	13.3	29.3	-44.7	45.6	0.4
Electricity and water	775	218	826	583	56.0	10.4	-23.3	-71.9	278.9	-29.4
Transportation, storage and communications	2 449	1 566	1 772	2 025	23.0	14.5	65.0	-36.1	13.2	14.3
Non-basic services	28 796	30 543	43 972	59 606	-	-	61.3	6.1	44.0	35.6
Commerce, restaurants and hotels	24 302	25 858	37 263	42 706	79.6	145.3	57.6	6.4	44.1	14.6
Finance and insurance	650	204	378	318	42.9	8.1	-23.5	-68.6	85.3	-15.9
Ownership of dwellings	1 222	933	1 214	1 383	10.7	7.4	16.8	-23.6	30.1	13.9
Government (gross)	1 955	2 457	4 171	14 426	-	41.4	-	25.7	69.8	245.9
Other	667	1 091	946	773	11.0	8.8	25.4	63.6	-13.3	-18.3
Consumption	9 361	9 587	10 945	10 703	3.8 <sup>b</sup>	3.6 <sup>b</sup>	24.1	2.4	14.2	-2.2
Total	86 550	91 892	108 909	132 344	...	...	33.2	6.2	18.5	21.5

Source: ECLA, on the basis of data published by the research department of the Central Bank in its *Statistical Digest*.

<sup>a</sup>Corresponding to each activity, at current factor cost.

<sup>b</sup>Percentage of consumption expenditures, at current market prices.

Table 24

## BELIZE: CONSOLIDATED MONETARY ACCOUNTS OF THE BANKING SYSTEM

	Millions of Belize dollars					Growth rates				
	1978	1979	1980	1981	1982	1978	1979	1980	1981	1982
Money	36.0	36.9	41.7	39.6	39.4	45.7	2.5	13.0	-5.0	-0.5
Cash outside banks	16.7	16.7	17.5	19.0	20.6	32.5	-	4.7	8.6	8.4
Demand deposits	19.3	20.2	24.1	20.6	18.8	-	59.5	19.3	-14.5	-8.7
Factors of expansion	100.0	106.6	120.9	136.9	148.7	29.8	6.6	13.4	13.2	8.6
Net external assets	28.3	15.8	16.9	10.3	-12.5	126.4	-44.2	7.0	-39.1	-
Assets	43.4	46.3	52.4	48.8	35.3	69.5	6.7	13.2	-6.9	-27.7
Liabilities	-15.0	-30.5	-35.5	-38.5	-47.8	14.5	103.3	16.4	8.5	24.1
Net domestic assets	71.7	90.8	104.0	126.6	161.2	11.2	26.6	14.5	21.7	27.3
Credit to the public sector	10.2	12.0	19.6	27.0	43.7	37.8	17.6	63.3	42.1	61.9
Central government (net)	3.9	3.9	12.6	18.3	34.1	30.0	-	223.0	45.2	86.3
Other public sector	6.3	8.1	7.0	8.7	9.6	43.8	28.6	-13.6	24.3	10.3
Credit to the private sector	55.3	70.7	77.3	90.8	107.7	4.9	27.8	9.3	17.5	18.6
Factors of contraction	64.1	69.7	79.2	97.4	109.3	22.5	8.7	13.6	23.0	12.2
Time and savings deposits	56.9	59.0	66.6	78.3	85.7	16.4	3.7	12.9	17.6	9.5
Other net domestic liabilities	7.2	10.7	12.6	19.1	23.6	100.0	48.6	17.8	51.6	23.6

Source: ECLA, on the basis of data published by the International Monetary Fund in its *International Financial Statistics*, and the research department of the Central Bank in its *Statistical Digest*.

why this ratio failed to decline in spite of the prevalence of higher interest rates. Inasmuch as the statutory liquidity ratio was not modified during the period in question, the only other factor that would seem capable of explaining the rise in the reserve ratio is greater uncertainty about the variability of deposit inflows and outflows.<sup>6</sup>

While the decline in the supply of and demand for money in 1981 did not prove to be an obstacle to either GNP growth or inflation, in 1982 it was accompanied by an appreciable decline in GNP. This behaviour of the income velocity of money was largely a consequence of the variation in the terms of trade, which added to the GNP in 1981 and subtracted from it in 1982. Like others, however, this result too was influenced heavily by the surge in the December money supply: on an average basis the decline in the income velocity of money was slight between 1981 and 1982.

The main policy concern of the Central Bank throughout most of 1982 was how to stem the loss of its external assets. After reaching almost 100% at the end of the first quarter of 1981 the ratio between the bank's foreign assets and its demand liabilities (i.e., currency in circulation, deposits and

Table 25

BELIZE: NOMINAL AND REAL RATES OF INTEREST

	Nominal interest rates				Real interest rates (ex-post)			
	Central Bank		Commercial banks		Central Bank		Commercial banks	
	Treasury bills	Bank rate	Loans advances	Deposits	Treasury bills	Bank rate	Loans advances	Deposits
1978	...	...	11.2	4.3	...	...	...	...
March	...	...	11.1	4.1	...	...	...	...
June	...	...	11.2	4.3	...	...	...	...
September	...	...	11.1	4.2	...	...	...	...
December	6.4	7.8	11.3	4.4	...	...	...	...
1979	6.6	8.0	11.3	4.4	...	...	...	...
March	6.4	7.5	11.3	4.5	...	...	...	...
June	6.2	7.3	11.2	4.4	...	...	...	...
September	6.2	7.3	11.2	4.4	...	...	...	...
December	7.4	10.0	11.6	4.4	...	...	...	...
1980	10.3	13.3	16.2	7.3	...	...	...	...
March	8.4	12.5	16.0	6.8	...	...	...	...
June	10.5	13.5	16.1	7.1	...	...	...	...
September	10.9	13.0	16.0	7.3	...	...	...	...
December	11.5	14.0	16.5	7.8	...	...	...	...
1981	11.7	14.3	19.3	9.4	0.3	2.6	7.1	-1.8
March	11.3	14.0	18.9	9.0	-0.5	1.9	6.3	-2.6
June	11.3	14.0	19.1	9.5	-0.4	2.0	6.5	-2.1
September	12.1	14.5	19.6	9.3	1.0	3.2	7.7	-1.5
December	12.1	14.5	19.5	9.9	2.3	4.5	9.0	0.3
1982	12.0	14.5	18.8	10.4	2.4	4.7	8.6	0.9
January	12.4	15.0	19.5	9.9	...	...	...	...
February	12.4	15.0	19.5	10.2	...	...	...	...
March	12.4	15.0	19.4	10.3	2.2	4.5	8.5	0.3
April	12.4	15.0	19.4	10.1	...	...	...	...
May	12.1	15.0	19.4	10.0	...	...	...	...
June	12.1	14.5	19.3	10.2	2.2	4.4	8.8	0.5
July	12.5	14.5	19.2	10.4	...	...	...	...
August	11.7	14.5	19.1	10.4	...	...	...	...
September	11.7	14.0	17.9	10.6	2.0	4.1	7.7	1.0
October	11.7	14.0	17.9	10.6	...	...	...	...
November	11.7	14.0	17.7	10.8	...	...	...	...
December	11.2	13.5	17.7	10.7	1.7	3.8	7.7	1.3

Source: ECLA, on the basis of data provided by the research department of the Central Bank in its *Quarterly Review* (various numbers) and *Statistical Digest* (various numbers), and the Ministry of Finance and Economic Development, Central Statistical Office.

<sup>6</sup>There are no reserve requirements as such for the commercial banks. However, their reserve ratios are affected by the statutory liquidity ratio, which is currently set at 20% of average deposit liabilities.

Table 26

**BELIZE: SECTORAL DISTRIBUTION OF DEVELOPMENT FINANCE CORPORATION CREDIT**

	Millions of Belize dollars				As a percentage of gross domestic product <sup>a</sup>		Growth rates			
	1979	1980	1981	1982	1978	1982	1979	1980	1981	1982
Production	15 393	19 333	23 498	25 139	8.6	10.3	2.7	25.6	21.5	7.0
Agriculture	8 058	9 422	10 649	11 837	4.3	4.9	7.0	16.9	13.0	11.2
Sugar cane	1 932	3 058	3 585	4 109	0.8	4.9	34.8	58.3	17.2	14.6
Other crops and livestock	6 126	6 806	5 880	6 621	3.5	2.7	0.5	11.1	-13.6	12.6
Forestry	217	206	152	61	0.2	-	-30.7	-5.1	-26.2	-59.9
Fishing	1 188	1 205	1 032	1 046	0.6	0.4	13.8	1.4	-14.4	1.4
Mining and quarrying	133	190	270	250	0.1	0.9	-6.3	42.9	42.1	-7.4
Industry	4 751	6 601	9 017	9 119	3.0	3.7	-9.0	38.9	36.6	1.1
Manufacturing	1 501	1 703	1 787	1 509	0.9	0.6	-1.2	13.5	4.9	-15.6
Construction	3 250	4 898	7 280	7 610	0.2	3.1	-12.2	50.7	47.6	5.3
Basic services	474	599	771	953	0.3	0.4	-7.8	26.4	28.7	23.6
Electricity and water	380	380	380	380	0.2	1.6	-	-	-	-
Transportation, storage and communications	94	219	391	573	0.1	0.2	-29.9	133.0	78.5	46.5
Non-basic services	1 977	2 521	2 822	2 980	0.9	1.2	24.4	27.5	11.9	5.6
Commerce, restaurants and hotels	1 941	2 432	2 685	2 603	0.9	1.1	24.3	25.3	10.6	3.1
Finance and insurance	-	-	-	-	-	-	-	-	-	-
Ownership of dwellings	-	-	-	-	-	-	-	-	-	-
Government	-	-	-	-	-	-	-	-	-	-
Other	36	89	137	377	-	0.2	33.3	128.2	53.9	175.2
Consumption	423	475	567	685	0.2	0.2	27.4	11.6	19.4	20.8
Total	15 816	19 808	24 065	25 824	...	...	3.2	25.2	21.5	7.3

Source: ECLA, on the basis of data published by the research department of the Central Bank in its *Statistical Digest*.

<sup>a</sup> Corresponding to each activity, at current factor cost.

<sup>b</sup> Percentage of consumption expenditures, at current market prices.

other liabilities payable on demand) diminished more or less continuously until it sank below the legal limit of 50% in February 1982.<sup>7</sup> In response, the bank stopped trading in the treasury bills market in that month, and it was not until August that it resumed sizeable purchases of government securities. At the same time direct bank lending to the Government was restricted, as after having borrowed heavily in the second half of 1981 in order to offset revenue shortfalls, the Government had virtually exhausted its line of credit with the Central Bank, which is limited by law to an amount no greater than 15% of the Government's current revenues for the fiscal year. Finally, interest rates were raised in the first half of the year, in spite of the reduction of rates in international capital markets and an apparent deceleration in inflation, and in the second half the Bank moved slowly and cautiously in reducing its discount rate, notwithstanding the notable declines experienced by interest rates in the United States and elsewhere.<sup>8</sup>

As a result of the restrictions on further credit from the Central Bank and the continuing contraction in revenues, the Government increasingly turned to the commercial banks to finance its deficit spending: between 1981 and 1982 its outstanding debt with these entities soared almost 62%. Inasmuch as private sector demand for credit simultaneously remained very buoyant in spite of the prevailing high interest rates, the banks opted to obtain loans from their head offices abroad in order

<sup>7</sup> Until November 1982, the Monetary Authority, which was created in 1976, was obliged to maintain a ratio of no less than 50% between its external assets and demand liabilities. In November, the ratio was lowered to 40%, by virtue of the legislation which converted the Monetary Authority into a Central Bank. The Central Bank Act was made retroactive to January 1982.

<sup>8</sup> However, at the end of December it was announced that interest rates would be reduced again as from 1 January 1983.

to avoid an excessive rundown of liquidity and the penalties which that would have involved (i.e., the higher cost of advances from the Central Bank). Even so, during much of the year their combined liquidity hovered near the required minimum. These loans from foreign sources likewise had the attraction for the Government that they carried interest rates below those prevailing in the domestic financial markets, as well as providing balance-of-payments support.

Thus, while the Central Bank did manage to brake the decline in its external assets, the sharp rise in the foreign indebtedness of the commercial banks that accompanied the large expansion in the domestic demand for credit left the overall net external position of the consolidated domestic banking system in the red —for the first time (see table 24).

Why private sector demand for credit remained so strong in the face of steeper real rates of interest seems to be traceable to the shortage of internal funds provoked by the downturn in domestic income. About one-half of the expansion of commercial bank lending to the private sector was accounted for by manufacturing, the outstanding debt of which soared to more than 100% of its value added in 1982. Most of the rest was absorbed by trade, restaurants and hotels (tourism). Commercial banks also financed the step-up in petroleum exploration. On the other hand, the amount of lending to the sugar cane industry was down almost 20%, notwithstanding the radical decline in its income in 1982 (see table 25). A fraction of this reduction was offset by increased borrowing from the Government-owned Development Finance Corporation, but overall this agency reduced sharply the rate of increase of its lending in 1982 (see table 26).



