

BELIZE

1. General trends

Growth in the Belizean economy slowed to -2.0% in 2019, down from 2.1% in 2018. Activity in the primary sector contracted by 0.9%, owing to the impact of disease on the citrus industry and farmed shrimp production, which was only partly offset by higher sugar cane and banana output. Secondary sector activity declined by 11.7%, reflecting reduced construction activity and electricity generation. By contrast, tertiary sector value added rose by 2.6% on account of growth in distributive trades and government services, which outweighed the decline in tourism. Inflation picked up slightly to 0.01% in 2019, from -0.02% in 2018. Average unemployment increased marginally to 10.4% from 9.4% in 2018. Despite the government's focus on consolidation, fiscal policy was expansionary in 2019, with the overall deficit widening to 3.5% of gross domestic product (GDP), a five-fold increase on 2018. The fiscal outturn stemmed from lower revenues and higher capital investments in road infrastructure and sports and other facilities. The external position also weakened, with the balance-of-payments current account deficit widening to 9.5% of GDP in 2019, from 8.1% of GDP in 2018. This was driven by an expansion in the trade deficit, as a result of lower goods exports, tourism receipts and remittances inflows, and higher goods imports.

The economy is projected to decline significantly in 2020, by 14.0%, owing to a slump in tourism demand amid border closures in response to the coronavirus disease (COVID-19) pandemic. In line with other countries, Belize took a number of measures, including stay-at-home orders, physical distancing and border closures, the combined effect of which reduced foreign tourist arrivals and domestic demand. Before the pandemic, growth was projected at 0.4%, curbed by the impact of drought conditions on agriculture, fewer visitor arrivals and lower tourism spending. Weak domestic demand and subdued international fuel prices are expected to lead to lower inflation. Unemployment is expected to increase, as reduced demand results in job losses in tourism, distribution and other sectors.

The recently approved budget projected a deficit of 3.23% of GDP. However, higher spending on health and public assistance and lower government revenues may well cause the deficit ratio to more than double. An increased deficit would lead to growth in public debt, reversing governments efforts at debt consolidation. The balance of payments current account deficit is expected to widen significantly owing to a collapse of tourism receipts and lower goods exports and remittances. Combined with reduced capital inflows, this could put a strain on foreign exchange reserves, which are needed to pay for essential imports.

2. Economic policy

(a) Fiscal policy

Fiscal policy was expansionary in 2019, and characterized by a sharp rise in the overall fiscal deficit from 0.7% of GDP to 3.5% of GDP on a calendar year basis. This fiscal outturn is attributable to a 1.9% fall in total revenues to 1.171 billion Belize dollars (BZ\$), reflecting reduced non-tax revenues and grant receipts that overshadowed an increase in tax receipts. Tax revenues rose by 2.2% to BZ\$ 1.046 billion on the back of higher proceeds from income tax, sales taxes, stamp duty, and excise duties. However, non-tax revenues and grants fell, owing to lower income from Belize Telemedia Ltd (BTL) and the ship registry and a 60% fall in grant receipts.

Total expenditure climbed 6.5% to BZ\$ 1.301 billion, with a 28.9% increase in capital investments to BZ\$ 217.0 million. There was a strong focus on transport infrastructure—including three major highways, and roads and bridges—, housing projects, and sports and health facilities.

Public sector debt rose by 3.3% to BZ\$ 3.733 billion, equivalent to 99.7% of GDP. The higher level of debt stemmed from increases in both domestic and external borrowing. Net domestic financing amounted to BZ\$ 54.3 million and net foreign borrowing BZ\$ 117.3 million.

In the first quarter of 2020, the fiscal deficit more than doubled to BZ\$ 80.9 million. Total revenues and grants declined 4.8%, while total expenditure expanded 8.5%. The deficit is expected to increase substantially in 2020, owing to higher government spending to combat and contain the fallout from the COVID-19 pandemic and lower tax and non-tax revenues. The government has obtained a US\$ 6.2 million loan from the Inter-American Development Bank (IDB) to help mount an effective response to the pandemic.

(b) Monetary and exchange-rate policy

Monetary policy was neutral in 2019, with the central bank leaving its policy reserve requirement for commercial banks unchanged. Monetary developments were marked by a 5.8% expansion in the broad money supply, the largest growth since 2015. The money supply was boosted by a 6.2% (BZ\$ 166.3 million) increase in net domestic credit, driven by a rise in private sector credit to tourism, agriculture, construction and other sectors. Commercial banks lent BZ\$ 115.7 million to the private sector, the largest amount since the global financial crisis of 2008.

This growth in credit reduced liquidity in the banking system. Therefore, commercial banks' excess liquid assets declined by BZ\$ 40.0 million to 30.7% above the statutory benchmark. The net foreign assets of the banking system contracted, owing to lower holdings by commercial banks on account of higher payments for imported goods and services, while the central bank's share declined as a result of higher external debt service payments.

The weighted average deposit rate fell by 10 basis points to 1.1%, despite the tightened liquidity conditions. The weighted average loan rate declined by 20 basis points to 8.8%. As a result, the interest rate spread narrowed by 10 basis points to 7.7%.

(c) Other policies

The 2020/21 budget proposed a range of measures to increase the ease of doing business, facilitate business development, upgrade infrastructure and to improve the welfare of marginalised groups. Measures included the reform and modernization of the customs department to improve the efficiency of cargo clearance, maximise revenue generation and protect the country's borders. Further steps will be taken to reform public procurement through training and improved alignment with public policy. The government has also adopted key measures to address the pandemic. It has allocated funds for medical equipment and supplies, and for Cuban medical personnel. A loan of BZ\$ 75 million has been secured from the central bank to provide assistance for the unemployed for the next seven months and a loan of BZ\$ 100 million is earmarked to top up the Building Opportunities for Our Social Transformation (BOOST) cash transfer programme for the needy.

3. The main variables

(a) The external sector

The balance of payments current account deficit widened from 8.1% of GDP in 2018 to 9.5% of GDP in 2019. This worsening position was a result of an increase in the goods deficit from 24.9% of GDP to 27% of GDP and repatriation of more earnings by local banks. Goods imports grew by 5.5%, reflecting higher import payments for fuels, manufactures and other goods. Total goods exports increased by 5.8%, owing to higher exports of sugar, molasses, marine products and bananas.

The services account surplus expanded from 20.4% of GDP to 21.6% of GDP, bolstered by an 8.1% (US\$ 466.3 million) increase in net travel receipts in line with the growth in high-spending stay-over visitor arrivals. This was supported by improvements in the transportation and government services sub-accounts. The income account deficit widened from 7.8% of GDP to 8.5% of GDP, fuelled mainly by higher repatriated and reinvested earnings by banks. This was only partly offset by remittance inflows, which grew by 7.1% to US\$ 5.6 million.

The surplus on the capital and financial account increased from 7.1% of GDP to 8.5% of GDP. Net foreign direct investment (FDI) inflows amounted to US\$ 100.8 million, bolstered by higher investments in tourism-related construction projects, but they were partly offset by lower inflows into agriculture and real estate. Financing inflows were also boosted by US\$ 24.9 million of net public sector borrowing, including a United States Treasury Note purchase by the Caribbean Community Climate Change Centre and an increase in trade credit for the import of electricity from Mexico. Gross international reserves contracted by US\$ 17.8 million, covering 3.2 months of goods imports.

(b) Economic activity

Economic activity slowed in 2019, with meagre growth of 0.3%, compared with 2.1% in 2018. Primary activity was dampened by a severe drought that led to reduced agricultural output and hydroelectricity production. The drought resulted in a substantial decline in maize and vegetable crops but boosted sugar cane deliveries and the sucrose content of the harvest. Therefore, sugar cane deliveries rose by 5.1%. Citrus yields declined by 9.6%, owing to the effects of disease and drought. In the secondary sector, the drought conditions led to a 23.5% fall in electricity generation, which was partly offset by higher manufacturing sector output.

The services sector provided some optimism, with growth of 2.6%. Buoyant activity in distribution, financial intermediation and government services compensated for the slowdown in tourism; although stay-over arrivals rose by 2.0% to a record 447,068 visitors, this was substantially lower than the 12.6% growth in 2018. Arrivals were affected by security concerns, combined with the spread of sargassum seaweed along the coast and slower economic growth in key markets. Cruise passenger arrivals fell by 3.1%, following exceptional growth in 2018 when ships diverted to Belize to avoid hurricane-ravaged islands in the Caribbean.

The combined effects of COVID-19 and drought conditions on agriculture are expected to lead a contraction of 14% in 2020, one of the largest in the Caribbean. There has been a substantial decline in tourist arrivals and spending with knock-on effects on other sectors and employment.

(c) Prices, wages and employment

Inflation was flat (0.01%) in 2019, after mild deflation (-0.02%) in 2018. Food and non-alcoholic beverage costs increased by 0.1%, following a decline of 0.6% in 2018. There were also small increases in prices for education and hotel and restaurant services. This growth was partly offset by falls in the prices of clothing and footwear, housing, water, electricity, gas and other fuels, and health services.

The average rate of unemployment fell slightly to 9.1% in 2019 from 9.4% in 2018 owing to job growth in the services sector, and especially in distributive trades. The growth in employment outpaced a parallel increase in the labour force participation rate.

Table 1
BELIZE: MAIN ECONOMIC INDICATORS

	2011	2012	2013	2014	2015	2016	2017	2018	2019 a/
Annual growth rates b/									
Gross domestic product	1.9	2.4	1.3	3.6	2.8	0.1	1.9	2.1	-2.0
Per capita gross domestic product	-0.5	0.7	-1.4	1.4	1.3	-1.9	-0.1	0.1	-1.6
Gross domestic product, by sector									
Agriculture, livestock, hunting, forestry and fishing	-4.3	6.3	6.0	2.4	-12.5	-21.7	9.8	-3.9	-0.7
Mining and quarrying	3.7	8.9	-5.9	-14.1	-3.6	8.3	-20.5	-9.8	1.9
Manufacturing	-2.6	-7.6	-19.4	-7.5	-14.7	-7.5	1.2	2.4	1.9
Electricity, gas and water	-3.4	-8.5	10.0	3.7	3.5	6.2	6.4	-1.9	-23.5
Construction	-4.0	5.4	17.6	6.6	18.7	11.7	-3.8	-6.5	-18.4
Wholesale and retail commerce, restaurants and hotels	6.0	5.2	5.9	3.8	5.3	14.8	6.3	4.0	1.6
Transport, storage and communications	-1.7	-0.9	1.3	0.1	1.2	8.3	2.2	5.1	4.1
Financial institutions, insurance, real estate and business services	-0.2	-1.2	-3.3	4.3	11.7	0.3	-0.4	-3.8	6.7
Community, social and personal services	0.3	4.7	-1.1	5.1	8.4	3.2	3.0	4.5	-29.4
Gross domestic product, by type of expenditure									
Final consumption expenditure	3.6	1.7	4.2	1.5	4.9	5.9	-3.4	-1.1	...
Government consumption	-1.4	4.1	0.7	5.1	5.8	8.3	0.4	7.2	...
Private consumption	4.7	1.2	5.0	0.7	4.8	5.3	-4.3	-3.0	...
Gross capital formation	38.0	-13.6	28.3	15.9	20.0	0.1	-4.4	-22.9	...
Exports (goods and services)	2.9	6.2	3.8	-1.4	-1.2	-9.0	6.1	7.5	...
Imports (goods and services)	12.2	1.7	10.5	3.5	9.6	1.6	-0.6	-4.3	...
Millions of dollars									
Balance of payments									
Current account balance	-17	-20	-73	-136	-175	-152	-144	-151	-177.1
Goods balance	-171	-197	-268	-337	-423	-432	-391	-466	-506.3
Exports, f.o.b.	604	622	608	589	538	443	457	451	462.2
Imports, f.o.b.	775	818	876	926	961	875	848	917	968.5
Services trade balance	168	221	240	270	274	293	300	382	403.8
Income balance	-98	-120	-118	-143	-95	-111	-125	-145	-158.3
Net current transfers	84	76	73	74	70	98	72	78	83.9
Capital and financial balance c/									
Net foreign direct investment	94	193	92	138	59	42	24	121	100.8
Other capital movements	-60	-121	98	82	12
Overall balance	18	53	117	85	-104	-60	-65	-18	-17.8
Variation in reserve assets d/	-18	-53	-117	-85	104	60	65	18	17.8
Other financing	0	0	0	0	0	0	0	0	0
Other external-sector indicators									
Net resource transfer (millions of dollars)	-64	-48	72	78	-24	-20	-46	-12	9.3
Gross external public debt (millions of dollars)	1 032	1 029	1 083	1 126	1 179	1 204	1 257	1 285	1 309.5
Annual percentages									
Prices									
Variation in consumer prices (December-December)	2.6	0.8	1.6	-0.2	-0.6	1.1	1.0	-0.1	0.2
Nominal deposit rate e/	4.7	3.0	2.3	1.8	1.6	1.3	1.2	1.2	1.2
Nominal lending rate f/	13.3	12.3	11.5	10.9	10.3	9.8	9.5	9.1	9.1
Percentages of GDP									
Central government g/									
Total revenue	28.5	26.9	29.3	29.7	29.0	29.1	29.8	30.7	...
Tax revenue	22.6	22.6	23.5	25.1	24.5	25.6	26.0	27.4	...
Total expenditure	29.9	27.2	31.1	33.5	36.2	33.4	31.2	31.0	...
Current expenditure	24.5	22.6	24.2	24.8	25.7	26.4	27.0	26.9	...
Interest	3.4	1.9	2.7	2.6	2.5	2.5	2.7	2.6	...
Capital expenditure	5.4	4.6	6.9	8.8	10.6	7.0	4.1	4.1	...
Primary balance	2.0	1.5	0.9	-1.3	-4.8	-1.8	1.4	2.2	...
Overall balance	-1.4	-0.4	-1.8	-3.8	-7.3	-4.3	-1.3	-0.3	...
Non-financial public sector debt	74.0	76.0	75.0	78.0	85.0	92.0	90.0	91.0	...

Table 1 (concluded)

	2011	2012	2013	2014	2015	2016	2017	2018	2019 a/
Money and credit	Percentages of GDP, end-of-year stocks								
Domestic credit	65.6	64.6	59.3	58.3	66.3	71.4	71.2	72.2	75.2
To the public sector	5.6	5.8	1.2	0.6	8.9	14.7	16.3	16.8	17.8
To the private sector	60.0	58.8	58.1	57.7	57.4	56.6	54.9	55.4	57.4
Monetary base	16.3	18.6	20.8	24.6	29.5	28.3	23.8	21.3	22.4
Money (M1)	28.7	36.2	35.5	39.5	44.3	41.6	42.6	42.7	44.1

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

a/ Preliminary figures.

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

c/ Includes errors and omissions.

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

e/ Weighted average rate of deposit rates.

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

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

Table 2
BELIZE: MAIN QUARTERLY INDICATORS

	2018				2019				2020	
	Q.1	Q.2	Q.3	Q.4	Q.1	Q.2	Q.3	Q.4	Q.1	Q.2 a/
Gross domestic product (variation from same quarter of preceding year) b/	0.4	5.3	2.4	0.2	2.3	-3.2	-2.8	-4.4	-4.5	...
Gross international reserves (millions of dollars)	295	297	291	282	273	265	269	259	255	260
Consumer prices (12-month percentage variation)	-0.6	0.6	1.0	-0.1	0.7	0.1	-0.1	0.2	0.2	0.0
Nominal interest rates (average annualized percentages)										
Deposit rate c/	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1	1.2	...
Lending rate d/	9.2	9.2	9.1	9.0	9.1	9.2	9.1	9.0	9.0	...
Interbank rate	2.5	2.5	2.5	2.5	2.5	2.6	2.0	2	2.3	2.3 e/
Monetary policy rates	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0 e/
Sovereign bond spread, Embi Global (basis points to end of period) f/	753	750	761	858	845	837	878	869	1 039	1 515
Domestic credit (variation from same quarter of preceding year)	4.3	7.8	7.8	-15.3	4.9	7.4	6.6	6.6	6.3	5.2 e/

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

a/ Preliminary figures.

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

c/ Weighted average rate of deposit rates.

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

e/ Figures as of May.

f/ Measured by J.P.Morgan.