Belize

The Belizean economy staged a modest recovery in 2010 with growth expected to reach 2.0%, following 0% growth in 2009. The fledgling recovery in the United States had a positive contagion on Belize, leading to a 7% increase in tourism value added in the first half of 2010. Inflation rose marginally, owing in part to higher energy and transport costs. Even with the spike in tax receipts due to tax measures adopted in April 2010, the central government still recorded an overall deficit of 0.6% GDP in the first half of fiscal year 2010/2011. Monetary policy was neutral and focused on the accumulation of reserves to maintain the peg and incentives for commercial banks to lower lending rates for productive activity. Stronger goods exports, tourism earnings and remittances underpinned a turnaround of the current account deficit to a small surplus, the first in the past three years.

Economic policy in 2010 focused on facilitating the recovery, in the context of an improved fiscal position. Thus, fiscal policy was aimed at consolidation, the target being to achieve a primary surplus of 3% of GDP over the medium term. However, the outturn for fiscal year 2009/2010 was a smaller primary surplus of 1.9% of GDP and an overall fiscal deficit of 1.6% of GDP. These were attributable to a substantial shortfall in revenue, related to lower petroleum tax receipts, and reduced customs receipts, due to fewer imports, together with modest growth in spending. Although the tax increases in April 2010 bolstered revenues, higher spending fuelled a rise in the overall fiscal deficit, which stood at 0.6% of GDP in the first half of fiscal year 2010/2011.

Public-sector debt remains a challenge with the ratcheting-up of interest payments under the terms of the restructured debt. Total public debt increased from 80.2% of GDP at the end of 2009 to 85% of GDP in September 2010. However, with the new revenue measures and contained growth in spending, public debt is expected to increase marginally for the rest of 2010.

Monetary policy was largely non-interventionist as the central bank continued to build up reserves to defend the fixed exchange rate. Nevertheless, with private-sector credit demand and investment at a low ebb, the central bank lowered the floor rate on savings deposits from 4.5% to 3.5%, in an attempt to induce commercial banks to lower their lending rates and boost private-sector credit demand, business activity and employment. However, credit declined as commercial banks have been more risk-averse and have screened out high-risk customers in order to reduce their non-performing loans ratios. As a result, credit to the private sector contracted by 3.9% between December 2009 and June 2010.

The economy is expected to grow by 2.0% in 2010, driven by an upturn in tourism, electricity generation and construction. During the first half of the year, the economy grew by 2.7%, but will slow in the second half in line with the usual reduction in activity. Buoyed by increased stayover and cruise passenger arrivals, tourism grew by 7%. However, a strategic product-development programme is required, including the upgrading of attractions and a commitment to offering better value for money, in order to maintain growth in stayover arrivals in the medium term. Government services were up by 11%, mainly due to the census that was conducted this year. Growth is expected to strengthen marginally to 2.3% in 2011, owing to continued growth in tourism, electricity generation, and wholesale and retail trade.

Year-on-year inflation (to August) increased by 0.5%, in a reversal of the 3.6% decline recorded for the same period in 2009. The increase was triggered by transport and communications, and fuel and power (up 5.4% and 2.0%, respectively), both of which reflect higher energy costs. Another contributing factor was the 25% hike in the general sales tax (GST). The renewed activity was expected to lead to growth in employment in tourism, wholesale and retail trade, and construction, resulting in a modest decrease in unemployment.

With the firming of exports and containment of imports, the current account registered its first half-year surplus in three years, moving from a deficit of 0.03% of GDP to a minute surplus of 0.002% of GDP. The trade deficit narrowed sharply, owing to a 25.6% increase in exports and a 0.3% fall in imports. Exports were driven mainly by the increase in petroleum receipts and citrus receipts, attributable to higher prices. Conversely, sugar exports plummeted owing to lower volumes and the impact of the final European Union price cut. The services account improved thanks to a 6.1% rise in travel receipts, which reflected the stronger tourism demand. Meanwhile, the capital and financial account worsened with a sharp decline of the surplus, associated with reduced grants and debt relief and a significant decline in foreign direct investment, as investments in condominiums and vacation homes tapered off. International reserves stood at US$ 212.3 million. This reflects a 1.7% decline year on year to September and amounts to 4.2 months' cover of goods imports.

BELIZE: MAIN ECONOMIC INDICATORS

	2008	2009	2010 [a]
	Annual percentage growth rates		
Gross domestic product	3.8	-0.0	2.0
Per capita gross domestic product	1.7	-2.0	0.0
Consumer prices	4.4	-0.4	0.5 [b]
Money (M1)	0.3	1.0	-3.0 [c]
	Annual average percentages		
Open unemployment rate [d]	8.2	13.1	...
Central government overall balance / GDP [e]	1.5	-2.9	…
Nominal deposit rate [f]	6.2	6.3	5.8 [g]
Nominal lending rate [f]	14.2	14.1	14.0 [g]
	Millions of dollars		
Exports of goods and services	867	727	811
Imports of goods and services	958	782	785
Current account	-132	-113	-40
Capital and financial account [h]	190	161	48
Overall balance	58	47	9

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Preliminary estimates.
[b] Twelve-month variation to August 2010.
[c] Twelve-month variation to October 2010.
[d] Includes hidden unemployment.
[e] Fiscal year.
[f] Weighted annualized average of the system rates.
[g] Figure for March.
[h] Includes errors and omissions.