Belize

Economic activity picked up with growth of 2.5% in Belize in 2017, following a decline of 0.5% in 2016. The improvement was led by 5.7% growth in the primary sector, after a major contraction in 2016. The secondary and tertiary sectors grew by 1.8% and 1.3%, respectively. With the growth in activity and higher fuel prices, inflation increased to 1.3% in the average for the first eight months of 2017, from 0.7% in 2016. Fiscal consolidation continued, with the deficit declining to 1.8% of GDP, from 3.4% of GDP in 2016 on a calendar year basis. Similarly, the current account deficit narrowed marginally, from 8.8% of GDP in 2016 to 8.7% of GDP in 2017, reflecting an improvement in both the trade and services account. The economy is projected to grow by 2.4% in 2018, buoyed by a 4.4% expansion in agriculture, due mainly to a strong performance by the sugar subsector. The services sector is projected to grow by 2.0%, underpinned by firm growth in stay-over visitor arrivals.

In 2017, economic policy centred on fiscal adjustment through debt restructuring and efforts to contain public spending. In March, Belize secured an agreement to restructure its private external debt, the third such arrangement since 2006. Under the agreement, the interest rate on the debt has been fixed for the life of the bonds at 4.9%, instead of increasing to 6.77% as had been scheduled to occur in August 2017. In addition, the start of principal repayments has been pushed back from 2019 to 2030-2034 and, overall, the net present value (NPV) of the debt has been cut by around 28%. Nevertheless, the failure to secure a haircut on principal payments means that the debt will remain elevated over the medium to longer term.

Fiscal policy was contractionary in 2017, with the fiscal deficit declining from 3.4% of GDP in 2016 to 1.8% of GDP in 2017 on a calendar year basis. Total revenue and grants expanded by 8.0%, bolstered by higher proceeds from taxes on goods and services, property taxes and non-tax revenue. Expenditure grew by 2.6%, underpinned by a 6.6% increase in current spending. Outlays on wages and salaries rose by 5.2% to 419 million Belize dollars (BZ$), reflecting the increase in public sector wages. Spending on goods and services expanded by 12.6%, including the fees incurred for the renegotiation of the Superbond debt. Capital expenditure contracted by 16.3%, in line with government's policy of cutting capital outlays to reduce public debt.

During the first quarter of fiscal year 2017/18 the fiscal deficit stood at 0.6% of GDP. Total revenue expanded by 7.6% to BZ$ 282.1 million, while expenditure contracted by 5.1%, mainly due to lower capital spending. Although the authorities have tended to cut capital spending to improve the fiscal position, the focus should shift to cutting government consumption in view of the importance of capital investment for growth. Central government debt increased from 88.8% of GDP in 2016 to 91.7% of GDP in 2017, reflecting mainly growth in domestic debt, partly to finance the settlement for the nationalization of Belize Telemedia Limited (BTL).

Monetary policy remained neutral in 2017, as the central bank maintained its policy liquid assets ratio at 6.5%. Despite improved activity, the broad money supply contracted by 1.7%, owing to reduced net foreign assets, reflecting government external debt servicing costs and payments for the acquisition of BTL. Domestic credit grew by 4.7% in 2017, driven by increased lending to the private sector for agricultural processing, sugar production, commercial fishing and real estate development.

The external current account deficit widened from 8.1% of GDP in 2016 to 8.7% in 2017, reflecting a sharp rise in the deficit on the income account and lower net transfers, which offset the fall in the merchandise deficit and the increase in the services account surplus. The deficit on the income account expanded by 41.5%, owing to higher outflows of investment income. Net transfers contracted by over 36% in line with lower multilateral grant receipts. The trade deficit contracted by 6.9% to US$ 402.5 million, reflecting a 5.5% increase in exports and a 0.6% decline in imports. Exports of sugar expanded by 48.3% to 114,263 long tons, but receipts rose significantly, owing to an 18.4% average price rise. Meanwhile, petroleum exports fell by 33.3% to 133,866 barrels, but higher prices bolstered export receipts. The services account surplus widened by 11.7%, boosted by an 8.6% increase in tourism receipts to US$ 213 million. By contrast, the surplus on the capital and financial account contracted by 12.7% to US$ 70.2 million, mainly reflecting a sharp fall in FDI to US$ 12.3 million. International reserves declined by 23% to US$ 288.1 million, covering 3.7 months of imports.

Belize: main economic indicators, 2015-2017

	2015	2016	2017 [a]
	Annual growth rate		
Gross domestic product	2.9	-0.5	2.5
Per capita gross domestic product	0.7	-2.6	0.4
Consumer prices	-0.6	1.1	0.7 [b]
Money (M1)	14.6	10.3	-7.6 [c]
	Annual average percentage		
Urban unemployment rate [d]	10.1	9.5	9.0 [e]
Central government			
Overall balance / GDP	-7.5	-4.6	0.2
Nominal deposit rate [f]	1.6	1.3	1.2 [b]
Nominal lending rate [g]	10.3	9.8	9.5 [b]
	Millions of dollars		
Exports of goods and services	1 034	...	...
Imports of goods and services	1 183	...	...
Current account balance	-175	...	...
Capital and financial balance [h]	71	...	...
Overall balance	-104	...	...

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
a/ Estimaciones.
b/ Datos al mes de agosto.
c/ Datos al mes de septiembre.
d/ Incluye el desempleo oculto.
e/ Datos al mes de mayo.
f /Promedio ponderado de tasas de depósitos.
g/ Promedio ponderado de tasas activas.
h/ Incluye errores y omisiones.

The economy recovered in 2017 with growth of 2.5%, reversing the 0.8% downturn posted in 2016. The primary sectors posted a major turnaround with growth of 5.7%, following a decline of over 22% in 2016. Sugar production expanded by 22.2% to 161,545 long tons for the first eight months of 2017, reflecting increased productivity as the cane-to-sugar ratio fell from 10.1 to 9.4. Banana output was up by 14.0%, owing in part to favourable weather. By contrast, petroleum output contracted by 17.8% to 253,760 barrels. Construction activity slowed to 1.9%, partly because of the tapering off of some government infrastructure projects. Value added in services was bolstered by an 8.2% gain in the tourism sector, driven by a 7.0% rise in stay-over visitor arrivals and a 4.2% increase in cruise-ship passenger arrivals.

Inflation picked up to 1.3% in the average for the first eight months of 2017, following a moderate rate of 0.7% in 2016. The uptick reflected higher fuel prices and increased costs for housing, water, electricity, gas and other fuels, which offset lower prices for food and non-alcoholic beverages. The rate of unemployment rose from 8.0% in April 2016 to 9.0% in April 2017, reversing a four-year downward trend. The labour force expanded by 3.3%, surpassing the 2.2% growth in jobs.