

## Belize

Growth was strong in 2014 at 3.6%, but fell off to 1.7% in 2015. The slowdown stemmed from a decline in primary and secondary activities, only partly offset by increased value added in the tertiary sector. Services drove such growth as there was, led in particular by wholesale and retail trade, tourism and real estate, renting and business services, although agricultural production also improved. There was deflation in 2015 as a result of lower international fuel prices and domestic food prices, with consumer prices falling by 0.8% year-on-year in June. Reflecting slippage in efforts at medium-term fiscal consolidation, the fiscal deficit more than doubled to 5.1% of GDP in calendar year 2015 from 3.5% of GDP in 2014. The current account deficit is projected to expand to 9.5% of GDP, with an increase in the merchandise deficit outweighing the improvement in the services account, buoyed by higher tourism inflows. Growth is projected to pick up to 2.7% in 2016 on account of a surge in sugar production, supported by banana output and stronger growth in tourism.

Fiscal deficits and unsustainable public debt remain the major policy challenges. The government has pledged itself to medium-term fiscal consolidation. However, this effort was not advanced in calendar year 2015, as fiscal policy was expansionary, with the fiscal deficit increasing to 5.1% of GDP from 3.5% of GDP in 2014. Revenue rose marginally (1.7%), but was outweighed by a 5.7% increase in spending. Expenditure was fuelled mainly by a hike in net lending, which reflected the settlement for the nationalization of Belize Electricity Limited (BEL) and Belize Telemedia Limited (BTL) and higher outlays on wages and salaries, linked to an 8% salary increase. The BEL settlement entailed a payment of US\$ 35 million to Fortis Inc., the previous majority shareholder, and a reduction in its equity position to 33%, while US\$ 81 million was paid to BTL. The fiscal deficit is projected to return to trend levels of around 2.7% in calendar year 2016, following the exceptional spending of 2015.

With the higher fiscal deficit, central government debt increased marginally from 75.01% of GDP in 2014 to 75.31% of GDP in 2015. The deficit was partly financed by low-cost funding from the Venezuelan PetroCaribe Agreement (VPCA), but these inflows declined in 2015. This points to the need for the government to reduce its dependence on these funds in the future.

Monetary policy remained neutral, with the central bank holding its liquid asset ratio constant at 6.5%, as there was no real pressure on the exchange rate. Domestic credit grew strongly (12.1%), but this mainly reflected a rebound in lending to the public sector to finance the settlements to BEL and BTL. Growth in lending to the private sector remained weak at 2.6%, reflecting increased prudential requirements for banks to prevent loan default and continuing business uncertainty. The bulk of private credit went to the sugar subsector.

The current account deficit widened to 9.5% of GDP in 2015 from 8.0% of GDP in 2014. This increase stemmed from a higher visible trade deficit, which offset an improvement in the surplus on the services account. The visible trade deficit expanded by 2.3 percentage points to 22.3% of GDP, reflecting a surge in imports, despite a large decline in fuel payments due to lower international fuel prices. Export receipts declined marginally (by 1.3%) to US\$ 580.9 million as lower receipts from petroleum, marine products and citrus juices offset higher earnings from bananas and papaya. The surplus on the services account rose by 2.3%, mainly because of a 2.8% increase in tourism receipts reflecting higher stay-over visitor expenditure. The surplus on the capital and financial account is projected to contract by 47% to US\$ 130 million, led by an 18.2% decline in foreign direct investment (FDI) inflows to US\$ 113.2 million, after FDI surged in 2014 because of exceptional flows for investment in hotels and real estate.

With these developments, international reserves are projected to contract by 10.0% to US\$ 435 million, covering 5.0 months of imports. The current account deficit is projected to narrow to 5.1% of GDP in 2016, with export growth reducing the trade deficit.

Economic growth in 2014 was firm at 3.6%, but it slowed to 1.7% in 2015, constrained by weakness in the primary and secondary sectors. A 3.8% increase in value added in agriculture, led by higher output of sugarcane, citrus, bananas and papaya, was offset by lower output in fishing and forestry. Sugarcane output increased by 6.1% and citrus and banana output by 2.0% and 7.0%, respectively. However, output of marine products contracted by 25%, mainly owing to a virus outbreak in the shrimp subsector. In the secondary sector, petroleum production continued its secular decline (17.5%), owing to the depletion of reserves. This was aggravated by lower output of electricity and water because of a drop in hydroelectricity generation resulting from dry weather conditions, and a 5.7% decline in construction activity, partly due to the winding down of public-sector infrastructure projects. Meanwhile, the services sector was buoyed by 4.8% and 4.7% growth in wholesale and retail trade and in the hotel and restaurant sector, respectively. Wholesale and retail were bolstered by higher imports for the export processing zone, while tourism was boosted by increased stay-over visitor arrivals, which offset a fall in cruise passenger arrivals.

There was deflation in 2015, with consumer prices declining by 0.7% year-on-year in June. Lower international fuel prices drove down the costs of transport and housing, water and electricity. This was reinforced by lower prices for food, alcoholic and non-alcoholic beverages and tobacco. Higher employment in the services sector offset job losses in agriculture, causing unemployment to fall to 10.1% from the 11.1% recorded in 2014.

#### Belize: main economic indicators, 2013-2015

|  | 2013                             | 2014  | 2015 <sup>a</sup> |
|--|----------------------------------|-------|-------------------|
|  | <b>Annual growth rate</b>        |       |                   |
| Gross domestic product                     | 1.5                              | 3.4   | 1.7               |
| Per capita gross domestic product          | -0.7                             | 1.2   | -0.4              |
| Consumer prices                            | 1.6                              | -0.2  | -0.7 <sup>b</sup> |
| Money (M1)                                 | 13.7                             | 14.0  | 14.6 <sup>c</sup> |
|  | <b>Annual average percentage</b> |       |                   |
| Urban unemployment rate <sup>d</sup>       | 13.2                             | 11.6  | 10.1 <sup>e</sup> |
| Central government                         |                                  |       |                   |
| Overall balance / GDP                      | -1.7                             | -4.2  | -2.5              |
| Nominal deposit rate <sup>f</sup>          | 2.3                              | 1.8   | 1.6 <sup>c</sup>  |
| Nominal lending rate <sup>g</sup>          | 11.5                             | 10.9  | 10.4 <sup>c</sup> |
|  | <b>Millions of dollars</b>       |       |                   |
| Exports of goods and services              | 1,056                            | 1,083 | ...               |
| Imports of goods and services              | 1,084                            | 1,150 | ...               |
| Current account balance                    | -73                              | -136  | ...               |
| Capital and financial balance <sup>h</sup> | 190                              | 221   | ...               |
| Overall balance                            | 117                              | 85    | ...               |

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

a Estimates.

b Figures as of June.

c Figures as of September.

d Includes hidden unemployment.

e Figures as of April.

f Weighted average of deposit rates.

g Weighted average of lending rates.

h Includes errors and omissions.