

Belize

The economy experienced a reversal of fortunes in 2016, with growth of 1.2% in 2015 giving way to a contraction of 2.4%. This performance was influenced by contractions of over 29% and 0.2% in the primary and secondary sectors, respectively, offsetting growth of 1.5% in the tertiary sector. Inflation will reach an estimated 1.2% for the year, reversing the deflation (-0.9%) of 2015. The government achieved a measure of fiscal consolidation in 2016, with the fiscal deficit contracting to 2.0% of GDP from 7.9% of GDP in calendar year 2015. The external payments situation improved marginally, as the current account deficit narrowed to 9.6% of GDP from 9.7% in 2015, with firm growth in tourism receipts helping to offset a larger trade deficit. Economic growth is projected to recover strongly to 3.7% in 2017, bolstered by a resurgence in agriculture, especially sugar and banana production, and a continued firm expansion (5.6%) in tourism, all offsetting a 1.4% decline in the secondary sector, which will be constrained by lower petroleum production and sluggish construction activity.

Economic policy in 2016 focused on completing the settlement of the debt from the nationalization of Belize Telemedia Limited (BTL) as part of the overall fiscal consolidation programme. The final settlement was valued at US\$ 194 million, which exceeded the expectations of the authorities. Half of this (US\$ 97 million) was paid in 2016. The government wound down its capital works programme to facilitate the fiscal consolidation effort. This in part reflects the difficulty of cutting some recurrent spending components that are effectively non-discretionary.

The fiscal deficit contracted to 2.0% of GDP in calendar year 2016, despite a portion of the BTL settlement being paid then, from 7.9% of GDP in 2015. Total revenue expanded by 3.8% and total expenditure declined by 12.8%, the result being a substantial contraction in the overall deficit in nominal terms. Revenues were bolstered by a 5.6% increase in tax receipts, mainly due to higher proceeds from excise duties and the general sales tax (GST). The fall in outgoings stemmed primarily from cuts to capital expenditure and net lending, reflecting the winding down of infrastructure projects that included roadworks in Belize City and a number of bridges and highways. The fiscal deficit is projected to widen to 3.1% of GDP in 2017, driven by higher spending associated with a 3.0% wage increase and wage rises. Year-end central government debt is projected to rise significantly, propelled by higher domestic borrowing.

Despite negative growth, monetary policy remained neutral in 2016, as the central bank did not change its policy rate to stimulate credit demand and economic activity. The liquid asset ratio was thus kept constant at 6.5%. The broad money supply (M2) was projected to decline by 0.7% owing to a slowdown in credit to the private sector in the wake of the contraction in activity. Nevertheless, credit to central government expanded by 66.9%, reflecting a 225.0 million Belizean dollar (BZ\$) issue of Treasury notes to defray the BTL settlement. The net foreign assets of the central bank are projected to decline by BZ\$ 290.1 million to BZ\$ 592.4 million, owing to the payments for the BTL settlement and lower disbursements of Venezuelan PetroCaribe Agreement (VPCA) funds.

Belize's external position improved marginally in 2016, with the current account deficit declining to 9.6% of GDP from 9.7% in 2015. This was achieved through growth in services exports, which offset the increase in the trade deficit. The services surplus expanded by 29.0% in line with growth in tourism receipts that was driven by higher stay-over arrivals and spending. However, the trade deficit widened by US\$ 58.0 million, reflecting a drop in exports of agricultural products and petroleum that outstripped a 4.0% decline in imports due in part to the decline in activity. The deficit on the income account expanded by 20.9%, driven by higher profit repatriations from the tourism sector. The capital and financial account

surplus contracted by over 78% to US\$ 34.1 million, reflecting a steep fall in foreign direct investment. International reserves shrank by 33.5% to US\$ 290.4 million, enough to cover 3.5 months of imports, down from 5.0 months in 2015. The current account deficit is expected to improve further to 8.9% of GDP in 2017, with steady growth in tourism receipts offsetting higher trade and income deficits.

The economy shrank by 2.4% in 2016, following growth of 1.2% in 2015. This reflected contractions in the primary and secondary sectors that offset growth in the tertiary sector. The economy shrank by 1.5% in the first semester, and this continued into the second semester. Output in the agricultural sector plummeted owing to a 30% decline in banana production and a more than 70% fall in papaya production. The drop in banana production was due to the closure of the Meridian group of farms, which accounted for over 16% of the total area cultivated in 2015. Citrus output was projected to decline by 16.3%, partly reflecting the impact of citrus greening disease. By contrast, sugarcane deliveries expanded by 13.1% as production returned to the full crop cycle after delays in harvesting over the previous two years. Petroleum output plummeted by 16.7%, reflecting reduced production from the Spanish Lookout field. Meanwhile, tourism value added expanded by 8.4%, boosted by strong growth in high-spending stay-over arrivals.

It is estimated that inflation will reach 1.2% in 2016, owing to higher fuel prices and the higher costs of some basic food items, including meat, bread and fresh vegetables. The unemployment rate fell from 10.1% in April 2015 to 8.0% in April 2016, the first single-digit rate in a decade. Some 8,773 jobs were added to the labour force during the year, while the median monthly employee wage remained constant at BZ\$ 1,131.

Belize: main economic indicators, 2014-2016

	2014	2015	2016 ^a
	Annual growth rate		
Gross domestic product	4.1	1.2	-2.4
Per capita gross domestic product	1.9	-1.0	-4.4
Consumer prices	-0.2	-0.6	0.7 ^b
Money (M1)	14.0	14.6	15.1 ^c
	Annual average percentage		
Urban unemployment rate ^d	11.6	10.1	8.0 ^e
Central government			
Overall balance / GDP	-3.8	-7.3	-1.7
Nominal deposit rate ^f	1.8	1.6	1.3 ^b
Nominal lending rate ^g	10.9	10.3	9.9 ^b
	Millions of dollars		
Exports of goods and services	1,083	1,034	...
Imports of goods and services	1,150	1,183	...
Current account balance	-136	-175	...
Capital and financial balance ^h	221	71	...
Overall balance	85	-104	...

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

a/ Estimates.

b/ Figures as of September.

c/ Figures as of July.

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.