

Belize

Belize recovered from the devastating effects of Hurricane Irma and posted a real GDP growth rate of 1.4% in 2017—after a contraction in 2016—and is projected to grow by 2.2% in 2018. In the first two quarters of 2018, real GDP expanded by 3.4%, as a slump in the agriculture and fishing sectors (-1.2%) was offset by upturns in tertiary (4.2%) and secondary (6.4%) industries.

The Central Bank of Belize continued to pursue an expansionary monetary policy, with a reduction in reserve requirements for commercial banks, which underpinned an increase in loans and advances to the public. Moreover, the Government of Belize continued its fiscal consolidation efforts aimed at reducing its public sector wage bill by 431 million Belize dollars (BZ\$) through staff attrition and cuts in administrative costs, while pledging to continue funding social programmes in health and education. In addition, new taxes were introduced on products that did not fall under the previous tax regime, with a view to boosting revenue. In the second quarter of 2018, total revenues were up by 6.3% year-on-year, while expenditures were down by 4.1%.

Public debt remained a challenge in 2017. The total public-debt-to-GDP ratio increased from 86.6% in 2016 to 94.2% in 2017 and is expected to rise further in 2018.

Despite the 1.4% gain in real GDP, creating a fiscal space for long-term major projects remains difficult. In 2017, the primary balance improved to 1.8% of GDP, from -1.8% of GDP in 2016. The overall fiscal balance shrank from 4.2% of GDP to 1.0% in that period. The Government of Belize is targeting a primary surplus of 2.2% and an overall deficit of 0.7% of GDP for fiscal year 2018/2019, which will be a major turnaround from the overall and primary deficits of 4.22% and 1.75%, respectively, recorded during fiscal year 2016/17. In the first half of 2018, government revenues and grants increased by 10.1%, while total expenditures declined by 2.6%, in comparison to the same period in 2017. This led to overall and primary surpluses of BZ\$ 15.2 million (1% of GDP) and 73.7 million (4.9% of GDP), respectively.

Total public debt increased from 86.6% of GDP in 2016 to 94.2% in 2017. Two recent major developments are likely to swell the country's debt stock in 2018. First, the ruling of the Caribbean Court of Justice (CCJ) ordering the Government of Belize to pay BZ\$ 90 million to Belize Bank on an initial loan of BZ\$ 29 million contracted in 2004 by Universal Health Services Limited (UHS), a private hospital, on which the Government had acted as guarantor. Second, the Government of Belize is expected to pay off the balance on the agreed amount of US\$ 81.2 million for the renationalization of Belize Telemedia Limited (previously Belize Telecommunications Limited) before the end of 2018, which will likely increase domestic debt.

In 2017, the central bank pursued an expansionary monetary policy to stimulate economic growth while sanitizing the banking sector by closing non-performing banks and writing off bad loans. As of August 2018, M2 money supply had expanded by 3.9% relative to the same month in 2017. Moreover, semi-annual coupon payments of BZ\$ 26 million on the 2034 sovereign bond led to a decline of 20.8% in central bank net foreign assets, whereas the net foreign assets of domestic banks increased by 43.9%, buoyed by increases in tourism receipts and the purchase of several banana farms by the Irish multinational firm Fyffes in March 2018.

Loans and advances expanded by 1 percentage point to the building and construction sector, but declined by 4 percentage points to the agricultural sector, with the sugar industry receiving the largest

share (49.65%) of that lending. Noteworthy was a 21-percentage-point decline in loans to the banana industry in August 2018 relative to the same month in 2017.

In 2017, the exchange rate remained stable in the context of the currency peg vis-à-vis the United States dollar, which has been in place since 1976 at the fixed rate of BZ\$ 2 to US\$ 1.

Belize continued to improve its external position, as its current account deficit shrank from 8.3% of GDP in 2016 to 7.0% in 2017. In June 2018, the trade surplus on goods and services was up by 34.8% relative to the prior-year period, while the current account deficit declined from 2.0% to 0.3% of GDP. Though production of sugar increased by 2.2% between January and August 2018 relative to the year-earlier period, its export values declined by 22.1%, owing to the abolition of the European Union sugar quota on 30 September 2017. Moreover, production and export values of maritime products slumped by 21.2% and 8.0%, respectively. After recording an increase in its balance of payments surplus, from US\$ 60.3 million in 2016 to US\$ 64.6 million in 2017, in the first two quarters of 2018 the country posted a balance of payments deficit of US\$ 4.1 million (0.3% of GDP), compared to the surplus of US\$ 25.9 million (1.7% of GDP) in the same period in 2017.

After a difficult year in 2016, growth performance improved in 2017 with a real GDP growth rate of 1.4%, which is projected to rise to 2.2% by the end of 2018. As of the second quarter of 2018, the real GDP growth rate stood at 3.4%, driven by stronger production in the secondary (6.4%) and tertiary (4.6%) sectors. Weaker production in the agricultural and fishing sector in the first quarter of 2018—due to citrus greening disease and torrential rains—was offset by the 9.0% surge in the second quarter relative to the year-earlier period.

The annual inflation rate was 1.0% in 2017. As of August 2018, inflation remained around 1%, driven mostly by rises in the costs of health (4.6%), transport (2.7%), gas and other fuels (1.1%), and restaurants and hotels (4.7%).

Total unemployment stood at 9.7% in 2017, almost 2 percentage points higher than the 8% in 2016. Noteworthy was the high unemployment rate for women (13.6%), almost twice the rate for men (7.1%). In April 2018, the unemployment rate stood at 9.4%, with female joblessness remaining much higher (14.9%) than the rate for males (5.6%).

Belize: main economic indicators, 2016-2018

	2016	2017	2018 ^a
	Annual growth rate		
Gross domestic product	-0.6	1.4	2.2
Per capita gross domestic product	-2.7	-0.7	0.1
Consumer prices	1.1	1.0	0.6 ^b
Money (M1)	10.3	-4.9	7.2 ^c
	Annual average percentage		
Urban unemployment rate ^d	9.5	9.3	9.4 ^e
Central government			
Overall balance / GDP	-4.2	-1.0	0.2
Nominal deposit rate ^f	1.3	1.2	1.2 ^g
Nominal lending rate ^h	9.8	9.5	9.2 ^g
	Millions of dollars		
Exports of goods and services	969	1 039	...
Imports of goods and services	1 132	1 087	...
Current account balance	-163	-131	...
Capital and financial balance ⁱ	104	64	...
Overall balance	-59	-67	...

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/ Figures as of August.

h/ Weighted average of lending rates.

i/ Includes errors and omissions.