

## Belize

The Belizean economy registered a fairly strong recovery in 2014, with growth projected to double to 3.4% from 1.5% in 2013. Growth was fuelled by strong value added in tourism, buoyant construction and an improvement in some components of agriculture, which offset a secular decline in oil production. The pickup in demand resulted in an increase in the rate of inflation to 1.5%. Meanwhile, despite higher tax receipts and substantial inflows under the Venezuelan Petrocaribe Agreement (VPCA), the fiscal deficit is projected to expand to 1.9% of GDP in 2014 from 1.1% in 2013, partly reflecting wage settlements. The current account deficit is projected to widen to 6.4% of GDP in 2014, owing to a larger trade deficit and increased profit repatriation and debt interest payments. Growth is expected to slow to 2.1% in 2015, owing to continued decline in oil production and softness in some components of agriculture. However, tourism is expected to continue registering dynamic growth.

Fiscal imbalance remains arguably the most important threat to macro stability, despite a recent debt restructuring. Fiscal policy was expansionary in 2014, with the overall deficit swelling to 1.9% of GDP from 1.1% in 2013. Revenue was bolstered by higher tax receipts from the general sales tax, due in part to improved collection. However, this was offset by 10% growth in spending, driven by a salary increase for public servants and increased capital expenditure. Government has used 57% of the funds drawn down from the Venezuelan Petrocaribe Agreement (VPCA) to upgrade road and other infrastructure, especially in Belize City. The increase in spending has greatly narrowed the window of opportunity for fiscal consolidation provided by the economic recovery in combination with the debt restructuring and VPCA inflows. A firmer effort is therefore needed to bring the debt down to a sustainable level, but this is not expected to occur in the short term. Public debt increased slightly to 75.9% of GDP in 2014 due to higher external borrowing. The fiscal deficit is expected to remain stable at 1.9% of GDP in 2015 as government infrastructure spending winds down and other measures are taken to contain outgoings.

The country's monetary stance has remained neutral, with the central bank holding its policy rate constant in the wake of the pickup in activity. Strong liquidity in the banking system has led banks to reduce their holdings of higher-interest time deposits in favour of demand and savings deposits. Broad money (M2) was projected to expand by nearly 7%, underpinned by the recovery in activity and inflows from the VPCA. A favourable development was the recovery in private-sector credit, particularly to productive activity. During the first half of 2014, the bulk of private credit went to agriculture, especially the sugar subsector. A sizeable portion of credit also went to the construction sector. With the accumulation of reserves and improved repayment by customers, banks reduced their non-performing loan ratio during 2014, though this still remained above trend.

**Belize: main economic indicators, 2012-2014**

	2012	2013	2014 <sup>a</sup>
	<b>Annual growth rate</b>		
Gross domestic product	3.8	1.5	3.4
Per capita gross domestic product	1.3	-0.9	1.0
Consumer prices	0.8	1.6	0.7 <sup>b</sup>
Money (M1)	24.0	13.7	13.1 <sup>c</sup>
	<b>Annual average percentage</b>		
Urban unemployment rate <sup>d</sup>	15.3	13.2	11.1 <sup>e</sup>
Central government			
Overall balance / GDP	-0.4	-2.3	-1.7
Nominal deposit rate	3.0	2.3	1.9 <sup>c</sup>
Nominal lending rate <sup>f</sup>	12.3	11.5	10.9 <sup>c</sup>
	<b>Millions of dollars</b>		
Exports of goods and services	1,033	1,057	1,042
Imports of goods and services	1,025	1,084	1,093
Current account balance	-35	-72	-141
Capital and financial balance <sup>g</sup>	180	-79	213
Overall balance	145	117	72

**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 October.

d/ Includes hidden unemployment.

e/ Figures as of April.

f/ Weighted average of some lending rates.

g/ Includes errors and omissions.

The balance-of-payments current account deficit expanded by 2.0 percentage points to 6.4% of GDP in 2014. Higher economic growth fuelled increased import demand, which in the face of stagnant exports led to a widening of the trade deficit. The main imports included fuel, construction materials and pharmaceutical products. The drop in exports mainly reflected a 28.8% fall in petroleum receipts to US\$ 25.5 million and a 12.9% decline in sugar exports by value to US\$ 35.9 million in the year to June. The services account surplus increased by 8.0%, bolstered by growth in travel receipts on account of strong tourist arrivals and spending. Meanwhile, a surge in profit repatriations increased the deficit on the income account by 40%. The capital and financial account surplus expanded by over 1.3%, as a decline in the capital account surplus was offset by a surge in foreign direct investment (FDI) inflows related to greenfield investments in hotel and real estate development, and higher capital grants.

Growth rebounded strongly (3.4%) in 2014 after slipping to 1.5% in 2013. Tourism remained an important contributor to growth, with value added in the sector projected to rise by 12.0% on the back of dynamic growth in high-spending stopover visitor (12.5%) and cruise passenger (36.9%) arrivals in the year to June. Belize is experiencing a tourism boom, with value added in the sector increasing steadily over the last few years and providing an opportunity for the economy to diversify, especially given the secular decline in oil production. Agriculture recovered in the second quarter, with an improved performance relative to 2013. Sugar cane production increased by 5.6% to 1,138,818 long tons, but productivity and therefore sugar output were affected by early rain. Citrus production was stagnant, while banana production declined. Petroleum output continued a decline that has lasted for over four consecutive years, reflecting the depletion of the country's two fields. Production contracted by almost 21% in the first half of 2014, dropping to an average of 1,838 barrels per day from 2,313 in 2013. Economic growth is projected to slow to 2.1% in 2015 as strong growth in tourism is offset by falling oil production and lower value added in some subsectors of agriculture.

Inflation picked up to 1.5% in 2014, reflecting higher prices for food, transport and electricity on the back of the rebound in activity. Unemployment fell from 11.7% in 2013 to 11.1% in 2014, owing to job growth in construction, tourism and other services.