Belize

Economic growth slowed sharply in 2013, with growth projected at 1.6%, as opposed to the brisk growth of 4.0% seen in 2012. The slowdown stemmed from a cyclical decline in petroleum production and falls in agricultural production and electricity generation. Despite this weaker growth, the central government’s fiscal position was projected to improve, with the overall deficit falling to 0.3% of GDP from 1.0% of GDP in 2012. This outcome was influenced by a contraction in expenditure, owing to the capitalization of February interest on the superbond debt under the restructuring programme. Monetary developments continued to be influenced by weak growth in credit to the private sector, which consolidated the already high levels of banking sector liquidity. The decline in exports from major sectors outweighed the improvement in the services and income accounts, causing the current account deficit to expand from 2.2% in 2012 to 4.3% of GDP in 2013. Growth is projected to improve to 2.8% in 2014, buoyed by a recovery in agriculture and brisk growth in tourism and construction.

The broad thrust of policy in 2013 focused on nurturing the recovery in activity following the global crisis with a view to reducing unemployment and improving social welfare, while striving for medium-term fiscal consolidation. The government benefited from loan inflows under the Venezuelan Petrocaribe Agreement (VPCA), but still needs to carry out further consolidation given the high level of debt and the future costs of servicing the Petrocaribe liabilities.

In 2013, fiscal policy focused on debt restructuring to provide breathing space for government to implement its programmes. In March 2013, the government restructured the superbond with an agreement entailing a 10% haircut on principal and a coupon rate of 5% from 2013 to 2017, after which the rate will be stepped up to 6.767%, which is still more favourable than the 8.5% on the original bond. The government will secure substantial debt service savings of around US$ 47 million in 2013, including the capitalization of a missed interest payment. Savings of around US$ 20 million are expected annually from 2014 to 2017 and additional savings over the life of the bond.

In the wake of the debt restructuring and inflows under VPCA, the fiscal deficit is projected to contract from 1.0% of GDP in 2012 to 0.3% of GDP in 2013. The improvement stemmed from a 2.5% decline in total spending that outweighed the 0.4% fall in total revenue. Although tax receipts were bolstered by greater revenue from the general sales tax (GST) (10%), personal income and business taxes, non-tax receipts contracted by 22.3% as a result of lower loan repayments and other receipts from petroleum operations. Total expenditure contracted owing to lower current and capital spending. Current costs were cut by a 38% reduction in interest payments following their capitalization under the debt restructuring agreement. These cost savings offset a modest increase in outlays on wages, salaries and pensions. Capital outlays continued to be affected by implementation delays, reflecting

Belize: main economic indicators, 2011-2013

	2011	2012	2013 [a]
	Annual growth rate		
Gross domestic product	2.1	4.0	1.6
Per capita gross domestic product	-0.4	1.5	-0.8
Consumer prices	2.6	0.8	0.8 [b]
Money (M1)	9.1	24.0	16.9 [c]
	Annual average percentage		
Central government			
Overall balance / GDP	-0.9	-0.2	-1.9
Monetary policy rate	11.0	11.0	11.0 [b]
Nominal lending rate [d]	13.4	12.4	11.7 [c]
	Millions of dollars		
Exports of goods and services	944	1 033	1 059
Imports of goods and services	946	1 025	1 118
Current account balance	-17	-35	-68
Capital and financial balance [e]	95	180	58
Overall balance	79	145	-10

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] Weighted average of some lending rates.
[e] Includes errors and omissions.

capacity constraints in this area. To help remedy this situation, the government has created a "special purpose" company, Belize Infrastructure Ltd, to expedite the implementation of projects, including the 30-million-Belize-dollar New Belize City Sports Centre Facility. The fiscal deficit is projected to widen to 2.2% of GDP in 2014, owing to higher expenditure on infrastructure and social programmes coupled with sluggish growth in revenues.

The Central Bank maintained its monetary policy stance in 2013, in the face of high levels of liquidity and limited outflows of foreign exchange to purchase imports. Monetary developments were characterized by high levels of liquidity amidst weak growth in credit. Net domestic credit contracted by 10%, reflecting the government's reduction of its overdraft in the wake of loan inflows under VPCA. Growth in credit to the private sector was sluggish (1.1%), and mainly concentrated in real estate and construction, as lending to the productive sectors declined. The overall tightening in credit swelled bank liquidity, with statutory liquid assets exceeding required limits by 66% by the first half-year. This gave rise to a sustained downward trend in commercial bank interest rates, leading to a 21-basis-point fall in the weighted average interest rate spread to 9.23% by the end of the third quarter of 2013. Banks increased their loan-loss provisioning during the first half of the year, causing the non-performing loan ratio to contract from 11% in December 2012 to 10.4% by June 2013.

Economic activity slowed significantly in 2013, with growth projected at 1.6% compared with a strong recovery (4.0% growth) in 2012. The slowdown in activity reflected lower value added in agriculture, a sharp fall in petroleum production and reduced electricity generation, which exceeded growth in tourism, construction and fishing. Citrus output declined by 29.3%, owing to the impact of citrus-greening and inclement weather. Banana production contracted by 2.7%, following above-average output in 2012. Sugar production increased only marginally (0.7%) to 1,078,019 long tons, owing to a froghopper infestation. Nevertheless, sugar production was up by 3.3% on the back of higher productivity, partly as a result of more effective arrangements for deliveries to the factory. Petroleum has been experiencing a cyclical decline in output as the reserves in the two existing fields continue to dwindle. Petroleum output contracted by 23% from January to June of 2013 to 419,189 barrels. However, 8.1% growth in stay-over visitors in the first half of 2013 contributed to robust growth in tourism.

Inflation was projected to decline from 2.0% in 2012 to 1.3% in 2013. Consumer prices rose by only 0.2% in the first half of 2013, reflecting marginal increases in the cost of food and transport. Prices are expected to stabilize in the second half of the year. With continued positive growth, unemployment fell from 14.4% in 2012 to 12.1% in 2013, attributable in part to strong growth in employment in construction, spurred by infrastructure works in a number of municipalities.

The deficit on the balance-of-payments current account was projected to widen from 2.2% in 2012 to 4.3% of GDP in 2013, reflecting an increase in the trade deficit that outweighed the increase in the services surplus. The trade deficit expanded sharply (42%), reflecting 9.5% growth in imports alongside a 1.5% decline in exports. The value of imports of construction materials and equipment increased in line with growth in the number of hotel projects, and infrastructure works, especially in Belize City. The decline in exports reflected a 20% drop in the value of petroleum exports as a result of plummeting production, as well as a sharp fall in the citrus-fruit sector and a small decline in sugar exports. The services surplus widened by 10%, on the back of higher tourism receipts spurred by strong growth in stay-over arrivals. The capital and financial account expanded sharply, reflecting a surge in public sector loans, together with capital flows from Venezuela and foreign direct investment (FDI) inflows of US$ 84.1 million. International reserves expanded by 42% to cover six months of imports. The current account deficit is projected to widen to 8% of GDP in 2014, owing to a higher trade deficit and a smaller services surplus caused by a fall in domestic exports —chiefly projected declines of 21% and 4% in exports of petroleum and sugar respectively— and growth in imports, especially of electricity from Mexico.