Belize

The year 2009 saw a reversal of the robust growth achieved in 2008 (3.8%) with the economy expected to contract by 0.5% owing mainly to declines in agriculture and tourism. Falling international prices led to a fall in year-on-year inflation to -3.5% in August, compared with a positive rate of 4.4% in November 2008. Fiscal policy remained strained given the level of public-sector indebtedness; however, the government was able to achieve a primary and overall surplus in the first quarter of fiscal year 2009/2010.[1] Monetary policy focused on maintaining the stability of the peg. Reflecting slackening domestic demand, the current account deficit narrowed to around 4% of GDP in June 2009. Economic performance is expected to recover in 2010 with growth forecast to reach 2%.

The economic downturn and the fall-out on the employment situation were such that some fiscal stimulus was needed to cushion the impact, but high public debt limited the scope for countercyclical measures. The government brought forward spending on roads and other infrastructure projects. Moreover, it nationalized the major telecommunications provider, Belize Telemedia Limited, amid concern over the agreement negotiated with the previous administration. The intention, however, is that the corporation should soon return to private hands.

Government revenues fell in the first quarter of fiscal year 2009/2010, but, at the same time, the authorities curbed expenditure, thus achieving an overall fiscal surplus of 1.2% of GDP, and a primary surplus of 1.6% of GDP (up from an overall surplus 0.3% of GDP in fiscal year 2008/2009). This surplus enabled the government to pay off a commercial bank loan. Nevertheless, public-sector debt edged up from 82.7% of GDP at the end of 2008 to 86.8% of GDP in September 2009, thanks mainly to loans from the Inter-American Development Bank and the Caribbean Development Bank. Belize also benefited from a US$ 13.9 million tranche under the IMF emergency assistance for natural disasters. Lower international interest rates facilitated a reduction in debt service payments. However, sharp falls in tax and non-tax receipts and a marginal decline in expenditure are expected to result in a smaller surplus at the end of the current fiscal year.

Monetary policy was neutral and did not provide the impetus for credit expansion. The central bank maintained its reserve requirement and widened interest spreads despite the weak demand for credit. Sluggish demand slowed broad money growth by 5.0% in the first half of 2009 to roughly half of the level recorded in the corresponding period of 2008. Commercial banks repaid foreign debt obligations, thus succeeding in improving their net foreign asset position. Therefore, growth in credit to the private sector was weak (1.4%), providing very little stimulus to the economy. The central bank eliminated the fixed rate on treasury bills during the year to allow banks to bid competitively, as part of a monetary policy reform.

Real output is expected to contract by 0.5% in 2009 as the pass-through effects of the global downturn constrained domestic activity, especially in the tradable sectors. Agriculture, the main productive sector, declined by 10.9% in the first half of the year as a result of falling output of citrus and bananas. Tourism, the third-ranking productive activity, contracted by 10% mainly as a result of the decline in stay-over visitors (down by 5.2% for the first eight months of the year), as demand from the United States market softened. Manufacturing was vibrant thanks to a 40.8% increase in petroleum production, boosted by the addition of two new wells.

Inflation fell to -3.5% (year-on-year in August) owing to a sharp decline in fuel prices and food prices. With the recession reducing employment in the construction and other sectors, it was only to be expected that unemployment would increase in 2009.

[1] In Belize, the fiscal year runs from 1 April to 31 March.

A sharp contraction in merchandise imports (-21% in the first half of 2009), which more than offset the 18% fall in goods exports, tourism and remittances, resulted in a narrowing of the current account deficit from 8% of GDP in the first half of 2008 to 4% of GDP in the first half of 2009. Imports plummeted following the winding down of large investment projects, a significant drop in oil prices and a contraction in imports into the Commercial Free Zone, due to weaker demand. Over the first eight months of 2009, petroleum exports plunged by almost 60% following the steep fall in oil prices and in spite of higher export volumes. Uncertainty due to the global crisis has led to a slowdown in foreign direct investment in the oil sector and tourism and a reduction in loan repayments by domestic commercial banks. This has resulted in a 59% decline in the financial and capital account surplus. The reserves position swelled by US$ 10.6 million to stand at US$ 177.1 million (a sum bolstered by the one-off special drawing rights allocation received in August). Thus, the country's reserves represent 3.3 months of import cover.

The outlook for the economy suggests a slow recovery of 2% in 2010 in line with an upturn in the situation of its major trading partners. The current account is expected to worsen, however, as imports are likely to pick up with a stronger economy.

BELIZE: MAIN ECONOMIC INDICATORS

	2007	2008	2009 [a]
	Annual percentage growth rates		
Gross domestic product	1.2	3.8	-0.5
Per capita gross domestic product	-1.2	1.7	-2.4
Consumer prices	4.1	4.4	-3.5 [b]
Money (M1)	14.0	0.3	-1.6 [c]
	Annual average percentages		
Unemployment rate [d]	8.5	8.2	...
Central government overall balance/GDP [e]	0.0	0.3	1.2
Nominal deposit rate [f]	5.9	6.2	6.3 [g]
Nominal lending rate [h]	14.3	14.2	14.1 [g]
	Millions of dollars		
Exports of goods and services	880	853	396 [i]
Imports of goods and services	806	958	616 [i]
Current account balance	-52	-150	-80
Capital and financial account balance [j]	75	208	130
Overall balance	23	58	50

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Preliminary estimates.
[b] Twelve-month variation to September 2009.
[c] Twelve-month variation to October 2009.
[d] Includes hidden unemployment.
[e] Fiscal year.
[f] Deposit rate, weighted average.
[g] Figure for March.
[h] Lending rate, weighted average.
[i] In 2009, refers to goods only.
[j] Includes errors and omissions.