

BELIZE

1. General trends

After a contraction in 2016 and a slow —0.7%— recovery in 2017, the Belizean economy is projected to grow more strongly, by 2.6%, in 2018. The anemic performance in 2017 was driven chiefly by a contraction in manufacturing and weak growth in the services sector; the primary sector, however, rebounded after a sharp decline in 2016. Despite a 9.1% increase in total annual visitor stays and the industry's second position as foreign-exchange earner (behind receipts from exports of goods), value added in tourism declined (1.0%), owing to increased demand for lower-cost accommodations, which reduced visitor spending.

Output in the primary sector increased by 6.2%, due in part to the surge in the production of sugarcane (13%) and banana (13%) and a 17% increase in the quantity of bananas exported. While banana production has gradually recovered from the devastating effects of Hurricane Harvey in 2016, the production of sugarcane was boosted in 2017 by the entry of new players in the sector, specifically Santander and American Sugar Refineries/Belize Sugar Industries (ASR/BSI). The increase in sugar production was also partially due to the quality of cane delivered to the sugar producers and the favourable weather conditions in the northern part of Belize, the hub of the industry. Following the withdrawal of Fruta Bomba and Belize Fruit Packers after over 20 years of operation in Belize, papaya production and export volumes have continued to decline, almost leading the country to lose its third place on the global papaya market. The citrus industry continued to suffer from the devastation caused by Hurricane Earl in 2016 and from citrus greening disease.

The Central Bank of Belize continued to pursue an expansionary monetary policy, with a reduction in the reserve requirements for commercial banks, which increased loans and advances to the public. On the other hand, in a spending reduction effort, the government raised tax revenues by introducing new general sales taxes and excise duties on products that had been exempt under the previous tax regime.

Total unemployment stood at 9.7% in 2017, almost 2 percentage points higher than the 8% rate in 2016. Notably, the unemployment rate for women is almost twice the rate for men.

2. Economic policy

(a) Fiscal policy

Despite the modest 0.7% increase in real GDP growth, creating fiscal space for long-term major projects remains a challenge. The primary balance improved from -1.8% of GDP in 2016 to 1.8% in 2017, while the overall fiscal deficit shrank from 4.2% of GDP to 1.0%. Between 2016 and 2017, total tax revenues increased by 5%; the bulk of the revenues stem from general taxes on goods and services, which in 2017 netted 517 million Belize dollars (BZ\$) out of the BZ\$ 948 million in total tax revenues collected. Taxes on income, profits and capital gains also rose, from BZ\$ 260 million in 2016 to BZ\$ 267 million in 2017.

Notwithstanding the encouraging trend in total tax revenues, taxes on international trade and transactions declined by 18% in 2017. To streamline collection of these taxes and avoid the unpredictability of duties for traders, the government is on the verge of revising its Trade Licensing Act by means of a fixed fee system.

Total expenditure narrowed from 33.1% of GDP in 2016 to 30.4% of GDP in 2017. In 2017, outlays on wages and salaries amounted to 37% of total expenditure, up by 4 percentage points in comparison to 2016, reflecting the final salary increase awarded to civil servants in the collective bargaining agreement signed in February 2014 between the government and the unions representing public servants and teachers. Subsidies and transfers increased by 4%, while interest payments on public debt increased by 17%, a climb that represented 0.3 percentage points of GDP.

The government aims to reduce spending in the 2018-2019 period, while raising an additional BZ\$ 20.5 million (US\$ 10.25 million) through the tax reform. To boost tax revenues, rather than raising the current 12.5% general sales tax rate, the government imposed taxes on products that did not fall under the previous regime, such as lubricating oils, jet fuel, mobile data services and business process outsourcing companies. While the government aims to raise total revenue from 29.5% of GDP in 2017/18 to 30.5% of GDP in 2018/19, spending control is also a top fiscal priority. Over the next fiscal year, the government intends to reduce the public sector wage bill by BZ\$ 431 million through staff attrition and cuts in administrative costs. However, it has pledged to continue funding social programmes in health and education, such as high school subsidies; tuition assistance; construction of new classrooms; health posts and hospitals. Moreover, the Government of Belize targets a primary surplus of 2.2% of GDP and an overall deficit of 0.7% during fiscal year 2018/19.

High public debt remains a major threat to growth and macroeconomic stability in Belize. Total external debt in 2017 is projected to rise by US\$ 53 million, a 4% increase relative to the 2016 debt stock of US\$ 1.203 billion. At US\$ 86 million, debt service costs in 2017 were a major constraint on fiscal space for undertaking public investment and social programmes. While the debt-to-GDP ratio for the non-financial public sector is projected to reach 91.6% by the end of 2017, two major developments are likely push up the debt stock in 2018. First, the ruling of the Caribbean Court of Justice ordering the Government of Belize to pay BZ\$ 90 million to Belize Bank on a loan of BZ\$ 29 million contracted in 2004 by Universal Health Services (UHS), a private hospital, on which the government acted as a guarantor. Secondly, the financing of the remaining balance on compensation settlements for the renationalization of Belize Telemedia Limited (BTL), which was settled through issuance of US\$ 90 million in new securities and the sale of part of the government's share in BTL and Belize Electricity Limited (BEL).

(b) Monetary and exchange-rate policy

The Central Bank of Belize pursued an expansionary monetary policy by reducing reserve requirements for commercial banks, thereby increasing credit growth and money supply. Despite this policy, the broad money supply M2 declined by 0.4% at the end the 2017 year, the first such decline since 2010. Weighted average lending growth fell from 9.7% in 2016 to 9.3% in 2017. Domestic bank loans and advances edged up from BZ\$ 2.015 billion in 2016 to BZ\$ 2.018 billion in 2017, with 99% going to the private sector. The sectoral distribution of loans and advances has remained almost constant, with a slight increase in average loans to the agricultural sector in 2017 (averaging 11.71% of total loans disbursed).

Buoyed by its resilience and continued growth, the tourism sector remained the fifth largest recipient of loans and advances from commercial banks in 2017, behind building and construction (the largest recipient), personal loans (second), real estate (third) and agriculture (fourth). With the restoration of correspondent banking after the adverse effects of the de-risking phenomenon in 2015 and 2016, deposits in foreign currency almost tripled in 2017, from US\$ 225.4 million in 2016 to US\$ 685.8 million in 2017. The continued sanitization of the banking sector, with the closure of four credit unions and further decline in the non-performing loans ratio, from 3% to 2.4%, contributed to doubling commercial banks' profits from US\$ 10.1 million in 2016 to US\$ 20.8 million in 2017.

In 2018, the central bank has remained steadfast in its pursuit of an expansionary monetary policy to stimulate economic growth while also sanitizing the banking sector by closing non-performing banks and writing off bad loans.

(c) Other policies

Belize has continued to maintain diplomatic ties with Taiwan Province of China, which in turn has provided technical assistance to papaya producers in agribusiness management skills as well as financial support. In 2017, Taiwan Province of China was Belize's top bilateral creditor, with BZ\$ 2.965 billion in disbursed external debt.

3. The main variables

(a) The external sector

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. More importantly, while recording a trade deficit of US\$ 388.30 million on goods, Belize ran a surplus of US\$ 340.75 million on services, thus recording a deficit on goods and services trade overall of US\$ 47.6 million in 2017. Eighty-seven percent of Belize's exports comprised food and live animals, followed by mineral fuel and lubricants (5%), chemical products (4%), crude materials (2%) and manufactured products (2%). Although the total value of imports fell by 4% in 2017, the composition of imports remained the same as in 2016: machinery and transport equipment (21%), goods from the commercial processing zone (17%), manufactured goods (13%), mineral fuel and lubricants (12%) and food and live animals (12%).

In 2017, Belize recorded surpluses on the capital and financial accounts. While inflows of foreign direct investment (FDI) declined by US\$ 1.4 million relative to 2016, outflows of FDI stood at US\$ 52.3 million in 2017. Overall, the balance of payments deficit widened, from US\$ 60.3 million in 2016 to US\$ 64.6 million in 2017. In addition, the central bank's gross international reserves declined by 17% to US\$ 300 million, representing 4.0 months of merchandise imports, due in part to the compensation payments of US\$ 98.2 million to the Ashcroft group of companies for the final acquisition of BTL and higher net loan repayments by the private sector.

(b) Economic activity

After a contraction of 0.5% in 2016, the Belizean economy returned to growth in 2017 with an expansion of 0.7%, bolstered by a surge of 6.2% in production in the primary sector and a modest increase of 2.5% in the tertiary sector. The improvement in the primary sector reflected a recovery in export agriculture, which offset lower output in the fisheries subsector. Sugar production posted dynamic growth of 13% to reach 1,644,405 long tons. Manufacturing value added, however, continued to contract.

After a dip in activity due to the effects of Hurricane Earl in 2016, the tourism sector showed some signs of improvement in 2017, although overall value added still registered a 1.0% decline (less than the 1.8% contraction of the previous year). Belize welcomed 912,809 cruise-ship passengers and 389,158 stop-overs in 2017, respectively a 1% and a 9% increase relative to 2016. While 82% of the stop-over passengers travelled to Belize by air, land and sea arrivals represented 16% and 2% of tourists in 2017. Availability of additional flights from the United States and Canada contributed to the rise in the number of stop-over passengers in 2017.

(c) Prices, wages and employment

Annual average inflation rate edged up to 1.0% in 2017, from 0.7% in 2016. While the annual average costs of health care, education and food and non-alcoholic beverages declined, the costs of alcoholic beverages and tobacco, transport, communication and hotels and restaurants increased. The rise in this last item may be attributed to the introduction of new taxes on goods and services.

Total unemployment stood at 9.7% in 2017, which was almost 2 percentage points higher than the 8% in 2016, with the rate for women (13.6%) almost twice the rate for men (7.1%). This disparity is also reflected in the low labour force participation rate of women (50.7%) relative to men (77.5%). The gender disparity is sharper in rural areas, where 17.9% of women are unemployed, compared to 6.1% of men.

Table 1
BELIZE: MAIN ECONOMIC INDICATORS

	2009	2010	2011	2012	2013	2014	2015	2016	2017 a/
Annual growth rates b/									
Gross domestic product	0.8	3.3	2.1	3.7	0.7	4.0	3.8	-0.5	0.7
Per capita gross domestic product	-1.7	0.9	-0.3	1.4	-1.5	1.8	1.6	-2.6	-1.4
Gross domestic product, by sector									
Agriculture, livestock, hunting, forestry and fishing	2.5	6.9	-4.3	6.8	5.6	2.6	-11.0	-21.9	...
Mining and quarrying	-12.0	5.0	3.7	8.9	-5.9	-14.1	-3.6	8.3	...
Manufacturing	28.1	-8.2	-2.6	-7.6	-19.4	-7.5	-11.8	-4.4	...
Electricity, gas and water	12.3	21.0	-3.4	-8.5	10.0	3.7	3.5	6.2	...
Construction	-10.1	-24.7	-2.6	15.1	4.2	20.6	29.2	9.7	...
Wholesale and retail commerce, restaurants and hotels	-7.4	9.3	5.6	6.7	6.2	3.8	4.9	13.3	...
Transport, storage and communications	-1.2	4.8	1.4	5.1	-3.1	1.5	5.0	6.2	...
Financial institutions, insurance, real estate and business services	9.9	2.5	-0.2	-1.1	-3.4	4.4	11.8	0.3	...
Community, social and personal services	4.4	0.9	0.3	4.7	-1.1	5.0	8.4	3.3	...
Gross domestic product, by type of expenditure									
Final consumption expenditure	4.0	5.4	3.6	3.6	4.1	1.3	4.8	4.2	...
Government consumption	3.1	3.8	-1.4	4.1	0.7	5.0	5.9	8.2	...
Private consumption	4.2	5.7	4.7	3.5	4.8	0.6	4.6	3.4	...
Gross capital formation	-25.1	-36.4	38.8	-5.0	20.7	24.6	18.4	1.3	...
Exports (goods and services)	-9.8	14.0	0.5	8.7	-0.3	2.1	0.6	-10.4	...
Imports (goods and services)	-21.3	10.3	11.8	4.5	9.7	5.8	8.7	-1.0	...
Balance of payments									
Millions of dollars									
Current account balance	-83	-46	-20	-33	-73	-136	-175	...	...
Goods balance	-237	-171	-175	-209	-268	-337	-423	...	...
Exports, f.o.b.	384	476	604	628	608	589	538	...	...
Imports, f.o.b.	621	647	778	837	876	926	961	...	...
Services trade balance	183	191	169	218	240	270	274	...	...
Income balance	-108	-158	-98	-118	-118	-143	-95	...	...
Net current transfers	79	92	84	76	73	74	70	...	...
Capital and financial balance c/	123	51	38	89	190	221	71	...	...
Net foreign direct investment	108	95	95	193	92	138	59	...	...
Other capital movements	14	-45	-57	-105	98	82	12	...	...
Overall balance	40	5	18	55	117	85	-104	...	...
Variation in reserve assets d/	-40	-5	-18	-55	-117	-85	104	...	...
Other financing	0	0	0	0	0	0	0	...	...
Other external-sector indicators									
Net resource transfer (millions of dollars)	15	-107	-60	-30	72	78	-24	...	...
Gross external public debt (millions of dollars)	1 017	1 021	1 032	1 029	1 083	1 127	1 177	1 203	1 255.8
Prices									
Annual percentages									
Variation in consumer prices (December-December)	-0.4	0.0	2.6	0.8	1.6	-0.4	-0.6	1.1	1.0
Nominal deposit rate e/	6.2	5.9	4.7	3.0	2.3	1.8	1.6	1.3	1.2
Nominal lending rate f/	14.1	13.9	13.3	12.3	11.5	10.9	10.3	9.8	9.5
Central government									
Percentajes of GDP									
Total revenue	27.3	28.0	28.5	26.7	29.2	29.5	28.7	28.9	29.5
Tax revenue	21.6	23.6	22.6	22.5	23.5	24.9	24.3	25.4	25.8
Total expenditure	28.7	29.2	29.9	27.1	31.0	33.3	35.9	33.1	30.4
Current expenditure	25.0	24.7	24.5	22.5	24.1	24.6	25.4	26.2	26.9
Interest	3.8	3.7	3.4	1.9	2.7	2.6	2.5	2.5	2.8
Capital expenditure	3.7	4.6	5.4	4.6	6.9	8.7	10.5	7.0	3.5
Primary balance	2.4	2.5	2.0	1.5	0.9	-1.3	-4.7	-1.8	1.8
Overall balance	-1.5	-1.2	-1.4	-0.4	-1.7	-3.8	-7.2	-4.2	-1.0
Non-financial public sector debt	82.2	72.3	70.7	72.8	78.5	75.6	78.4	84.4	91.6

Table 1 (concluded)

	2009	2010	2011	2012	2013	2014	2015	2016	2017
Money and credit	Percentages of GDP, end-of-year stocks								
Domestic credit	74.9	69.6	64.4	62.5	58.1	56.9	64.3	69.6	69.6
To the public sector	7.6	6.7	5.5	5.6	1.2	0.6	8.6	14.4	15.9
To the private sector	67.3	62.9	58.9	56.9	56.9	56.3	55.6	55.2	53.7
Monetary base	16.0	14.9	16.0	18.0	20.4	24.0	28.6	27.6	23.2
Money (M1)	26.7	25.3	28.2	35.0	34.8	38.6	43.0	40.5	41.7

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

a/ Preliminary figures.

b/ Based on figures in local currency at constant 2000 prices.

c/ Includes errors and omissions.

d/ A minus sign (-) indicates an increase in reserve assets.

e/ Weighted average rate of deposit rates.

f/ Rate for personal and business loans, residential and other construction loans; weighted average.

Table 2
BELIZE: MAIN QUARTERLY INDICATORS

	2016				2017				2018	
	Q.1	Q.2	Q.3	Q.4	Q.1	Q.2	Q.3	Q.4	Q.1	Q.2 a/
Gross domestic product (variation from same quarter of preceding year) b/	0.3	0.1	-1.1	-1.4	0.8	-0.2	-0.8	3.1	1.8	...
Gross international reserves (millions of dollars)	434	438	431	366	371	386	370	326	295	300
Consumer prices (12-month percentage variation)	0.0	0.9	0.7	1.1	2.3	0.6	0.7	1.0	-0.6	-0.6 c/
Nominal interest rates (average annualized percentages)										
Deposit rate d/	1.4	1.4	1.3	1.3	1.3	1.2	1.2	1.2	1.2	1.2 c/
Lending rate e/	10.0	9.9	9.8	9.7	9.6	9.5	9.4	9.3	9.2	9.2 c/
Interbank rate	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Monetary policy rates	11.0	11.0	11.0	11.0	11.0	11.0	11.0 f/	...	...	...
Sovereign bond spread, Embi Global (basis points to end of period) g/	1 460	1 285	1 297	1 837	655	730	669	771	753	750
Domestic credit (variation from same quarter of preceding year)	19.4	21.7	22.3	11.6	8.6	1.8	-1.6	1.8	4.3	7.0 d/
Non-performing loans as a percentage of total credit	13.9	12.3	10.5	10.5	7.3	7.4	7.8	6.4	...	...

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

a/ Preliminary figures.

b/ Based on figures in local currency at constant 2000 prices.

c/ Figures as of May.

d/ Weighted average rate of deposit rates.

e/ Rate for personal and business loans, residential and other construction loans; weighted average.

f/ Figures as of July.

g/ Measured by J.P.Morgan.