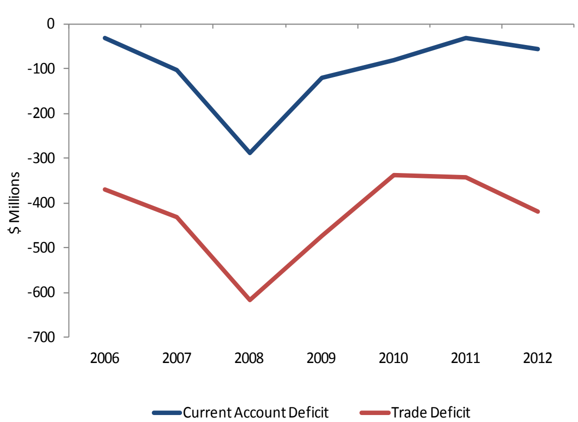
Foreign Trade and Payments

Table 6.1: Balance of Payments

$mn

	2010 Net	2011 Net	2012 Net
CURRENT ACCOUNT	**-80.1**	**-31.8**	**-57.1**
Merchandise Trade	-337.8	-341.8	-419.7
Services	351.0	338.9	451.6
Primary Income	-277.0	-196.4	-240.6
Secondary Income	183.7	167.5	151.6
CAPITAL ACCOUNT	**11.3**	**47.3**	**45.0**
FINANCIAL ACCOUNT	**-54.4**	**-37.8**	**-146.2**
NET ERRORS AND OMMISSIONS	23.0	-17.4	-28.5
FINANCING	8.6	36.2	105.6
Memo Items:			
Monthly Import Coverage	**3.6**	**3.3**	**3.8**
Monthly Import Coverage net of CFZ Imports	**4.5**	**4.3**	**4.6**
Current Account/GDP Ratio (%)	**-2.9**	**-1.1**	**-1.8**

Chart 6.1: Current Account and Trade Deficit

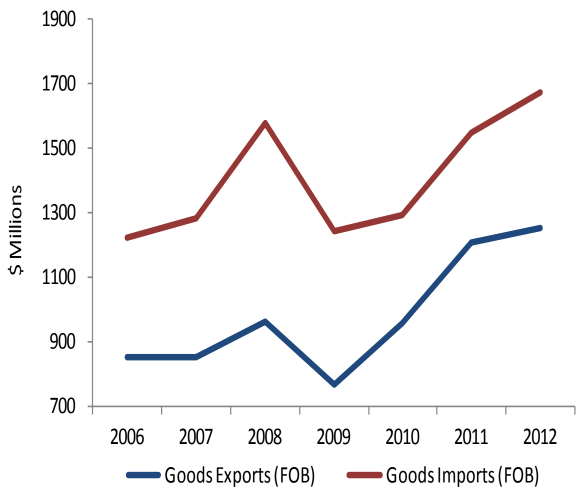


Strong growth in net earnings from services in 2012 was more than offset by the combination of an upsurge in the merchandise trade deficit and profit repatriation as well as lower net inflows from remittances and insurance companies. After three consecutive years of decline, the external current account deficit consequently rose from 1.1% to 1.8% of GDP. The shortfall was covered by a surplus on the capital account and an upsurge in net foreign direct investment inflows that also facilitated a build up in foreign asset holdings. The gross international reserves consequently rose by $105.6mn to $577.8mn, which was equivalent to 3.8 months of merchandise imports.

Merchandise Trade

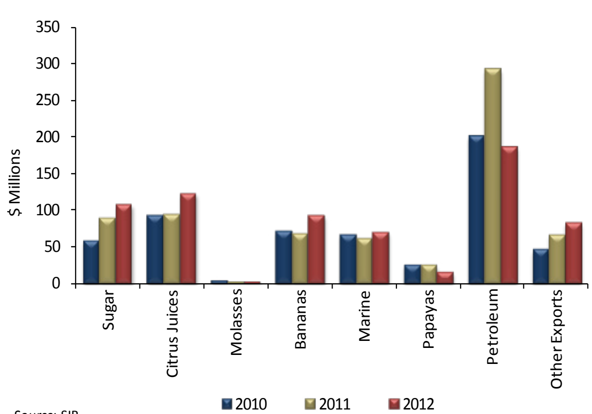
In comparison with a 1.1% rise in 2011, the merchandise trade deficit registered a 22.8% expansion to $419.7mn (13.3% of GDP). Imports grew by $125.1mn (8.1%) with a 13.2% increase in goods for domestic consumption that was dominated by heavy machinery, cement, electricity and fuel. Contrasting with this, an inventory overhang from the previous year caused commercial free zone (CFZ) companies to slash imports by 9.3%. Exports increased by $47.2mn (3.9%) with expansions in CFZ sales and re-exports masking a modest fall in earnings from domestic exports as reduced exports of petroleum and papaya neutralized the revenue gains from other commodities.

Chart 6.2: Merchandise Exports and Imports



Source: SIB

Chart 6.3: Domestic Exports



Source: SIB

Domestic Exports

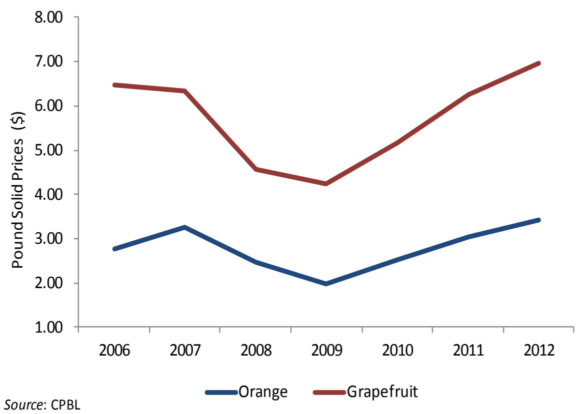
Sugar and Molasses

Receipts from sugar exports increased by 19.6% to $107.8mn, reflecting volume and price increases of 19.9% and 9.4%, respectively. Rising world prices motivated traditional buyers such as Tate and Lyle to offer a premium on the base reference price of €335.0 per metric ton in order to attract and retain suppliers. The average price consequently increased to €400.0 per metric ton. With the EU's 'Fair Trade' premium of US$60.0 per metric ton providing an additional motivating factor, some 82.3% of sales went to that market with 17.6% going to the US and Canada receiving the remainder. Molasses exports rose by 5.6% to 22,135 long tons, while revenues increased by 11.7% to $3.8mn due to modest price improvements caused by production shortfalls in major producers such as India and Afghanistan.

Citrus Juices and Pulp

Citrus juice export volume grew by 18.0% with sales of grapefruit and orange concentrate increasing by 39.1% (to 4.0mn ps) and 15.8% (to 32.2mn ps), respectively. Revenues increased by 29.7% with more favourable international prices providing an additional boost. Income from sales of orange concentrate rose by 26.5% to $108.8mn as prices strengthened due to declines in Florida's juice stocks and the decision of Brazilian

Chart 6.4: Citrus Prices



Source: CPBL

producers to focus on rebuilding depleted inventories. Accounting for 31.9% of export volume and 30.3% of revenue, the Caribbean maintained its position as the largest market for the second consecutive year. The US was second with 28.4% of sale volume and 27.0% of earnings. Sales to Europe quadrupled in volume, while revenues increased by 353.0%, facilitated by an 11.6% price improvement.

Following a two year hiatus, the export of orange NFC juices recommenced on a small scale as 0.02mn ps was sold at a value of $0.1mn.

Prices for grapefruit juice rallied in almost all markets due to a smaller harvest in Texas and lower juice stocks in Florida, and the combination of price and volume increases led to earnings being elevated by 59.4% to $14.3mn. The volume exported to Europe, the largest market, increased by 20.8% with receipts up by 37.3%. In the Caribbean, however, a 21.7% rise in volume yielded a 20.2% increase in earnings due to a $0.45 decline in the average unit price. Exports of grapefruit concentrate to other markets grew by 85.9% while revenues more than doubled to $5.1mn. Freeze concentrate sales to Japan accounted for $1.2mn of the latter. During the year, pulp exports held steady at 1.9mn pounds valued at $1.5mn.

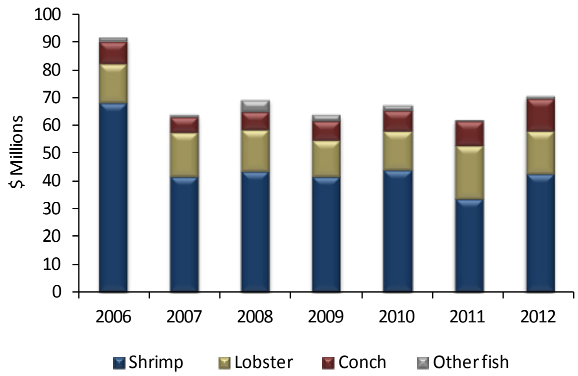
Banana

Favourable weather and the rehabilitation of storm-damaged acreages boosted annual banana exports by 39.9% to 103,710 metric tons, which was just above the 100,000 metric tons production milestone that the industry has been aiming for since its inception. While improved fruit quality pushed the per box penalty down from $0.038 to $0.014, the inclusion of third class banana in the export mix resulted in a 2.5% decline in the average price, and revenues consequently increased less than proportionately by 36.4% to $92.6mn. Upon entering the final year of its exclusive marketing contract with Fyffes, the BGA negotiated another five year exclusive marketing contract that will commence in January 2013.

Marine Products

The volume of marine exports fell by 1.1% to 13.2mn pounds, however,

Chart 6.5: Exports of Marine Products



Source: SIB

revenues increased by 13.4% to $70.9mn mainly due to higher earnings from shrimp and conch. Earnings from shrimp surged upward by 25.2% to $42.5mn largely due to a 21.1% improvement in price. While the volume exported rose by only 3.4%, producers focused on niche markets where demand and pricing arrangements were more favourable. A higher export volume underpinned a 37.4% increase in conch revenue to $12.0mn, as the average price remained relatively stable. Revenues from fish exports also vaulted upward by 46.7% to $0.9mn, notwithstanding a 68.1% decrease in volume. In contrast, lobster receipts plunged by 19.5% to $15.5mn, as an 8.0% volume increase failed to compensate for a 25.5% fall in the average unit price.

Other Major Exports

Petroleum remained the lead export commodity with earnings of $186.3mn, notwithstanding volume and revenue declines of 33.8% and 36.2%, respectively. While the average price per barrel dipped by 2.7% to US$104.45, it was still US$14.45 above the threshold at which the domestic petroleum surcharge becomes applicable. The papaya industry continued to experience production challenges during the year as a result of severe viral infections. Export volume consequently declined by 29.3% to 42.8mn pounds with receipts plunging by 40.2% to $15.5mn, as the fall in export earnings was further exacerbated by a $0.07 decrease in the average price per pound.

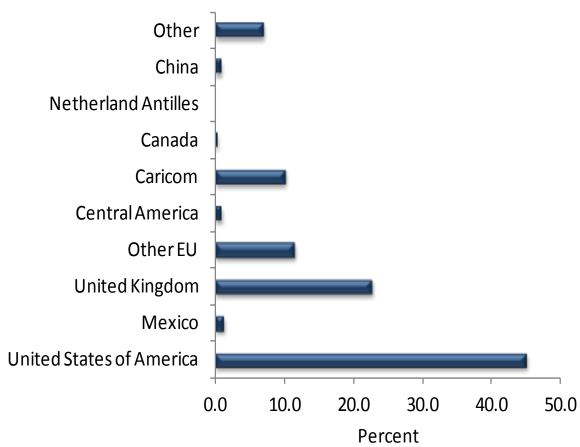
Non-Traditional Exports

Revenues from non-traditional exports increased by 25.6% to $83.2mn, as higher receipts from sawn wood, fresh oranges, orange oil, beans, and other miscellaneous exports outweighed lower earnings from pepper sauces, black eye peas and grapefruit oils. Higher volumes accounted for the rise in sawn wood and fresh orange earnings, and improved prices boosted revenues from orange oil. On the other hand, lower prices accounted for the fall in revenues from pepper sauces.

Re-Exports

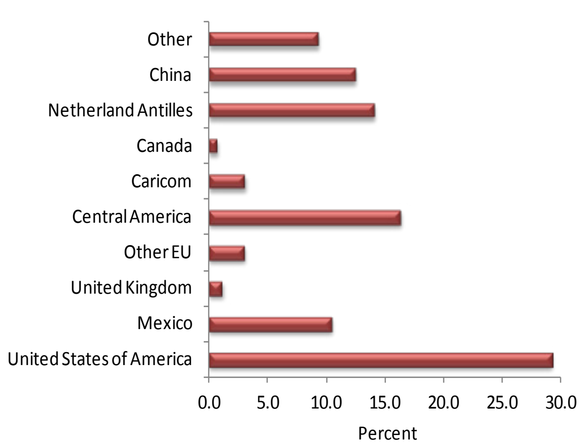
Re-exports grew by 13.6%, reflecting increased sales from the CFZ and the customs area. At $493.7mn, receipts from CFZ sales were up by 12.6% as

Chart 6.6: Direction of Visible Trade in 2012 - Exports



Source: SIB

Chart 6.7: Direction of Visible Trade in 2012 - Imports



Source: SIB

the continuing growth of the Mexican economy contributed to cross border trade. The expansion in other re-exports was mostly due to “Manufactured Goods” and “Machinery and Transport Equipment” such as industrial drilling/ boring equipment, road works/ construction machinery and boats/ yachts.

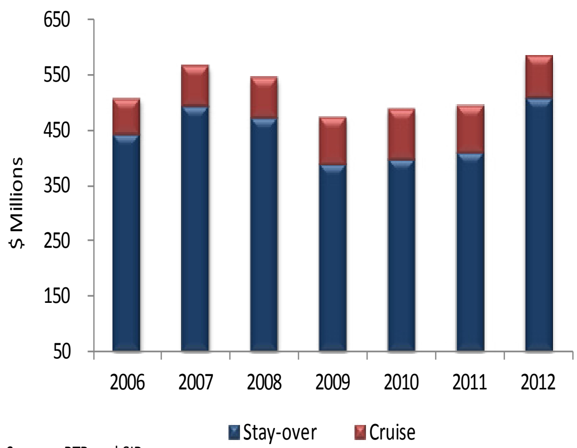
Gross Imports

While imports (FOB) for the CFZ fell by $32.9mn, those destined for the domestic market expanded by $158.0mn during the year. Outlays for the “Machinery and Transport Equipment” category increased by $67.0mn and included additional purchases of heavy duty machinery, equipment parts and cement to accommodate the increase in domestic infrastructural works. The “Food and Live Animals” category also registered a $26.9mn expansion, reflecting increased demand for animal feed and the higher cost of durum wheat, cereal, chicken sausages, beverages, soups and milk products. Gasoline, butane and electricity were mostly responsible for the $21.7mn hike in “Minerals, Fuels, and Lubricants” and higher expenditure on agricultural minerals and fertilizers boosted the value of “Chemical Products” by $12.7mn.

Direction of Visible Trade

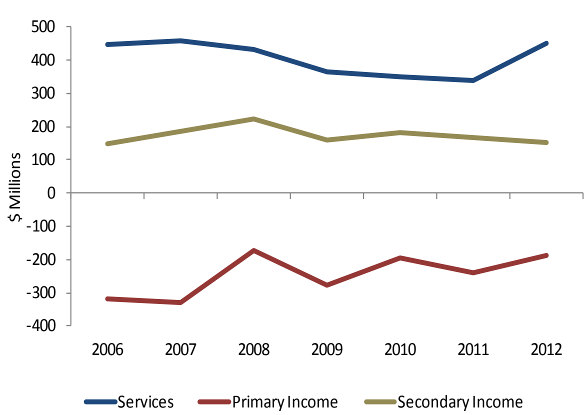
The US maintained its position as

Chart 6.8: Tourism Expenditure



Sources: BTB and SIB

Chart 6.9: Net Balances for Services and Income Accounts



Belize's principal export market even though its share declined from 59.7% in 2011 to 45.1% due to lower sales of petroleum and papaya. Resulting from increased sales of sugar and banana, the share of the UK rose from 19.2% to 22.7%, while the quadrupling of orange concentrate sales to Europe accounted for the export share of other EU countries rising from the previous year's 2.5% to 11.5%. CARICOM's share improved to 10.2% as shrimp producers and fishing cooperatives in the south of the country continued to expand niche markets in Jamaica and Trinidad.

The main source of imports was the US, which accounted for 29.2% of goods purchased from abroad. A fall in CFZ imports reduced China's share from 14.2% in 2011 to 12.5%, while contributing to raising the shares of Central America and Mexico to 16.3% and 10.5%, respectively. Fuel purchased from a Venezuelan owned refinery in the Netherland Antilles explained its 14.1% import share.

Services

Net earnings from services rose by 33.2% to $451.6mn, reflecting improvements in all sub-categories, except for transportation. The major contributor continued to be the tourism sector, which netted a 20.8% increase in travel earnings. Net inflows for government

Chart 6.10: Remittance Inflows

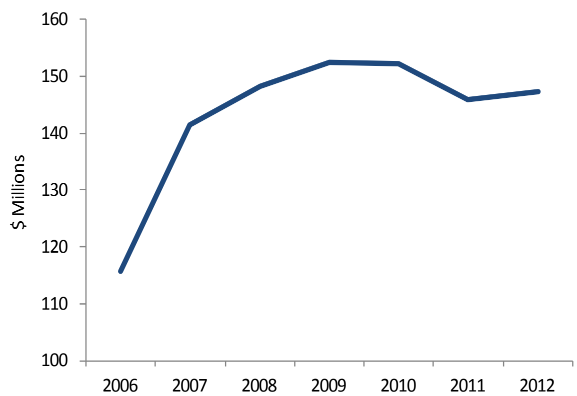
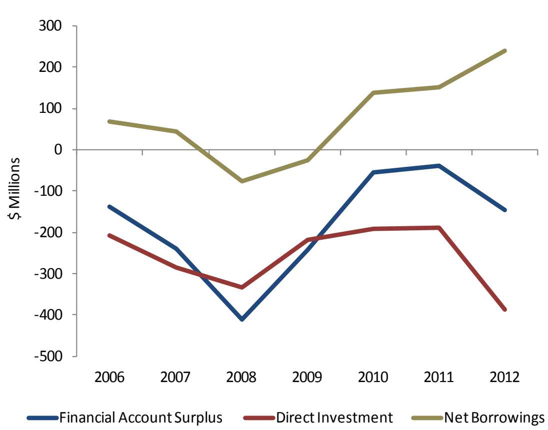


Chart 6.11: Main Components of the Financial Account



goods and services increased by 42.7%, with much of this being accounted for by the branch offices of international and regional organizations. Net outflows for transportation increased by $7.4mn due to higher international freight charges generated by the growth in trade volume.

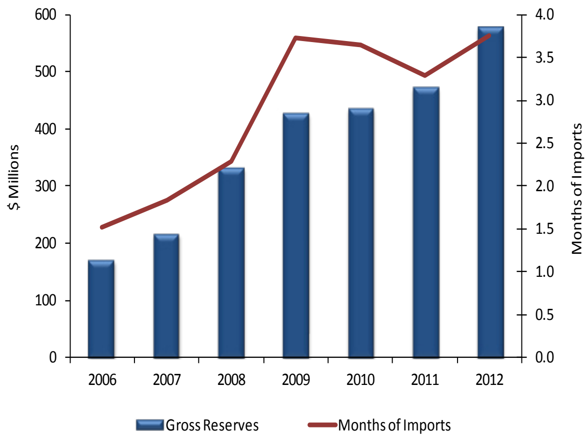
Primary Income

An increase in foreign seasonal workers necessitated by the rebound in the citrus and banana harvests led to a 62.3% upsurge in net labour outflows. Notwithstanding the lowering in profit repatriation by the petroleum industry and the fact that only a partial second interest payment was made on the super bond, net outflows in the investment income category escalated by 21.3% due to higher profit remittances by the tourism industry. As result, net outflows under the income account registered a 22.5% increase to $240.6mn.

Secondary Income

The surplus on the secondary income account shrank by 9.5% ($15.9mn) to $151.6mn due to the impact of lower inflows to the sugar industry (of Fair Trade receipts) and insurance companies, higher outflows of private remittances, and an increase in net government outflows that was due to a slight decline in grant receipts and increased transfers to international and regional organizations.

Chart 6.12: Gross Official International Reserves



Capital and Financial Accounts

A small decline in grant inflows resulted in the surplus on the capital account dipping from $47.3mn to $45.0mn. Meanwhile, various financial transactions resulted in the country's net liabilities to foreign owners of capital increasing by $146.2mn. Net foreign direct investment doubled to $386.7mn and included significant strategic investments into the sugar industry, hotels and land purchases. This facilitated an increase in commercial banks' net foreign asset holdings abroad and a surge in loan repayments by the private sector, the largest of which involved the retirement of BSI's external debts. The surplus on the capital account and the net increase in financing from external sources covered the deficit on the current account and underpinned the $105.6mn rise in the gross official international reserves during 2012.