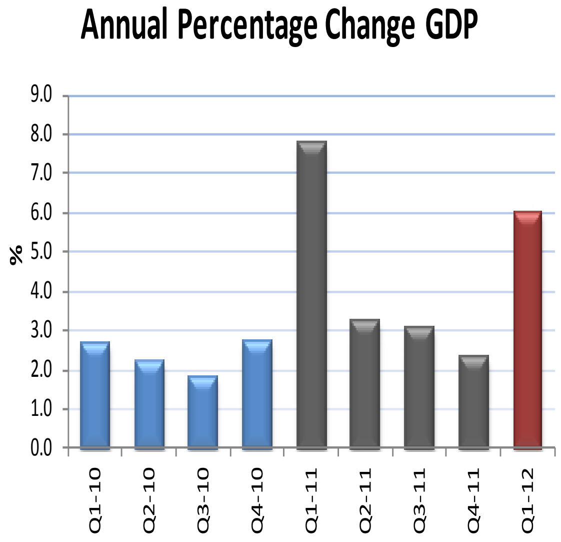
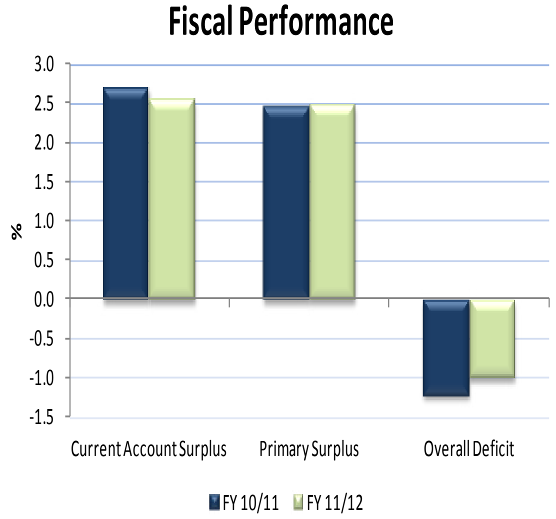
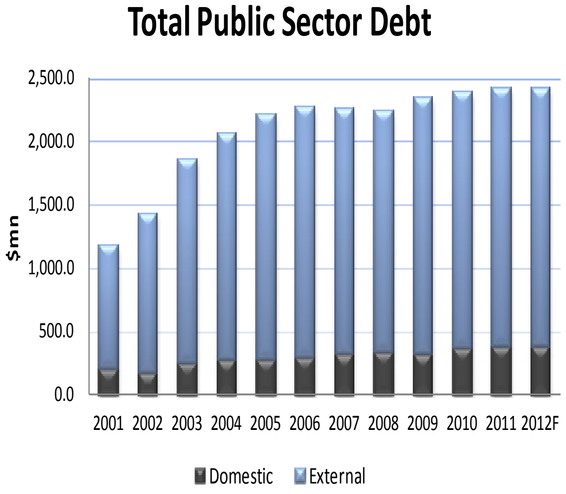
Central Bank of Belize
ECONOMIC BRIEF



Annual Percentage Change GDP

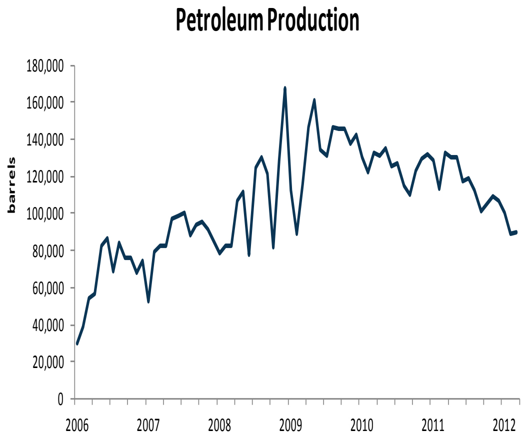


Fiscal Performance



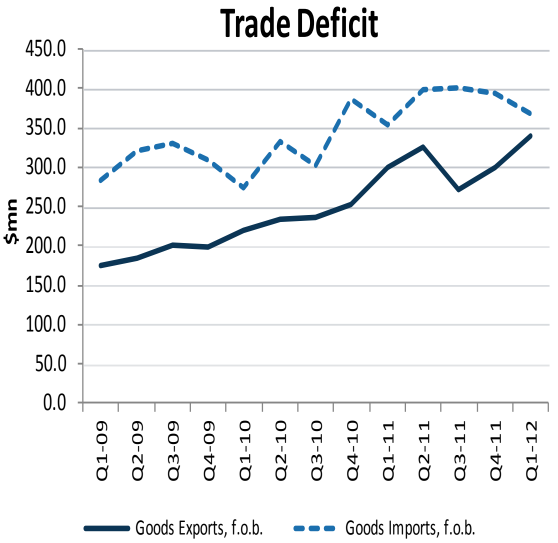
Total Public Sector Debt

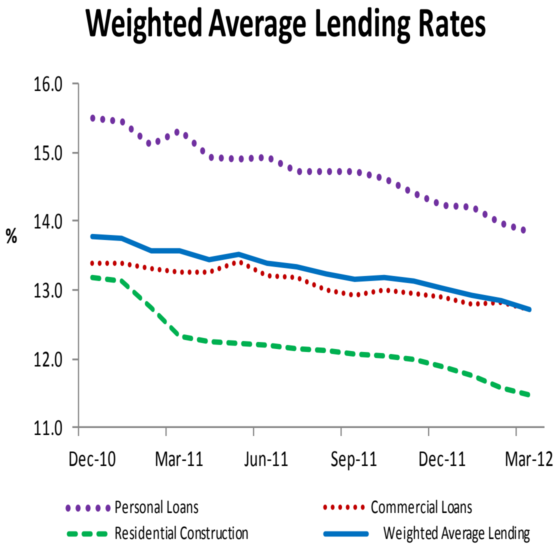
A steeper-than-expected contraction in petroleum output and an irregular citrus blossom held GDP growth to 6.0% in the first quarter as compared to the 7.8% increase recorded in the first quarter of 2011. The outturn reflected continued buoyancy in tourism, a rebound in sugar and banana as well as an upsurge in electricity production. Banana output rose by 32.0% due to the rehabilitation of storm-damaged acreages and favorable agronomic conditions. Sugarcane deliveries and, by extension, sugar production rose by 55.4% and 40.7%, respectively, as the cogeneration plant benefitted from its first full quarter of uninterrupted operations since coming on-stream three years ago. BELCOGEN's improved performance coupled with production increases from BECOL accounted for the 74.7% escalation in domestic output of electricity. Bolstered by an aggressive marketing campaign, the tourism sector maintained upward momentum even in the face of headwinds from a protracted recovery in the US. Stay-over visitors returned to the pre-crisis levels of 2008 with a 6.2% increase during the first quarter. Hotel revenues consequently posted a solid gain of 16.3%, while cruise arrivals increased by 7.2%. The ripple effects of higher acquisition costs for petroleum and related products underpinned a 0.5% rise in quarterly CPI (November 2011 to February 2012) and resulted in a year-on-year (February 2011 to February 2012) annual inflation of 1.9%.

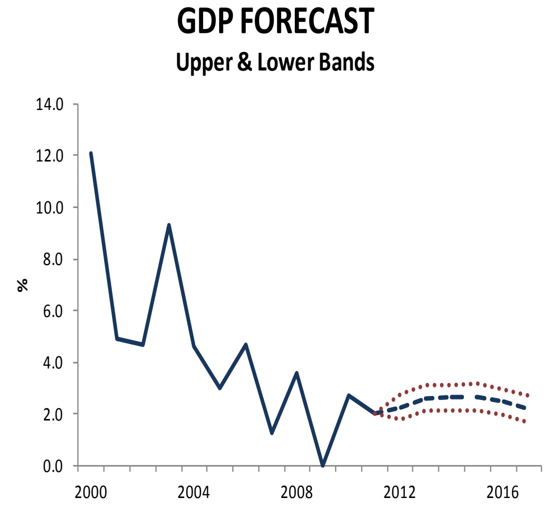


Petroleum Production

Central Government's performance for the fiscal year (April 2011 to March 2012) improved as the overall deficit came in at 1.0% of GDP versus a budgeted 1.6% of GDP shortfall. Higher revenues from petroleum taxes, import duties and property income outpaced growth in current expenditure, as capital expenditure recorded a small decline. The bulk of the increase in current expenditures was explained by the 2.5% annual increment, new hirings for infrastructural projects and increased expenditures on security personnel. Central Government's domestic debt stock remained relatively unchanged while the public sector external debt declined by 0.5% to $2,035.9mn.







Gross international reserves stood at $485.1mn, the equivalent of 4.3 months of import cover, at the end of the first quarter. Rising tourism inflows coupled with a smaller trade deficit pushed the quarterly current account surplus up to $65.0mn as compared to the $56.9mn increase recorded in the first quarter of 2011. The deficit on the capital and financial account simultaneously improved owing to increases in foreign direct investment and grant receipts that outweighed higher external debt payments.

Against the backdrop of buoyant tourism flows and sluggish credit demand, the banking system remained highly liquid with interest rates being pressured downward as a result. The weighted average lending rate fell to an all-time low of 12.72%, driven by rate cuts of 41 basis points for personal loans and 40 basis points for residential construction. Simultaneously, steep declines in time deposit rates underpinned the drop in the weighted average deposit rate to 3.19%. Commercial banks posted modest profits during the quarter, notwithstanding further write-offs of non-performing loans aimed at shoring up their balance sheets.

Economic Prospects and Challenges

GDP is currently forecasted to increase between 2.0% - 2.5% in 2012 based on projections that tourism will hold steady despite continued fragility in the United States market and robust growth in the primary sector due to the full recovery of banana acreages from storm-related damages as well as the investment by American Sugar Refinery into BSI that will resolve their immediate cash flow problems and provide scope for increased production. A sustained increase in BELCOGEN's production should help to reduce the country's dependency on external sources of energy during the year. Marine production is also slated to rise based on an increase in the wild capture of fish, lobster and conch as well as additional investments into domestic shrimp farming.

On the downside, real and financial threats inevitably intensify as the country enters the hurricane season. The US economic recovery is weaker than anticipated and the looming clouds in Euro Zone countries may add to commodity price volatility and curtail demand for the tourism product. Fiscal and debt sustainability retains the highest priority domestically in light of the initiative to renegotiate the terms of the super bond, which is ultimately aimed at providing fiscal headroom for investment in maintenance and, in some cases, the rebuilding of infrastructure that have been crumbling due to a lack of financial resources.