

*“Continuing the Transformation “*

**BUDGET SPEECH FOR  
FISCAL YEAR 2015/2016**

*Hon. Dean Barrow, Prime Minister and Minister of Finance and Economic Development  
Belmopan, Friday March 13, 2015*

## SUMMARY OF RECURRENT AND CAPITAL BUDGETS

	BUDGET OUTTURN 2013/2014	APPROVED BUDGET 2014/2015	PROTECTED OUTTURN 2014/2015	DRAFT BUDGET 2015/2016
<b>TOTAL REVENUES AND GRANTS</b>	<b>909,517,309</b>	<b>956,149,755</b>	<b>959,356,023</b>	<b>980,257,973</b>
TOTAL REVENUE	869,517,309	910,149,755	917,071,087	939,688,925
<b>RECURRENT REVENUE</b>	<b>864,408,963</b>	<b>904,913,700</b>	<b>912,378,670</b>	<b>934,879,198</b>
TAX REVENUE	747,887,339	784,069,372	804,666,561	818,116,358
Income and profits	246,358,363	250,824,836	264,752,341	261,860,700
<i>of which: Petroleum taxation</i>	<i>21,441,081</i>	<i>16,675,731</i>	<i>21,463,135</i>	<i>7,500,000</i>
Taxes on property	6,067,615	5,862,025	5,206,975	5,337,150
Taxes on Int'l trade & transactions	189,635,099	212,083,645	204,503,622	211,812,882
<i>of which: Import duties</i>	<i>139,801,885</i>	<i>162,559,596</i>	<i>150,674,252</i>	<i>159,000,000</i>
Taxes on goods and services	305,826,262	315,298,866	330,203,623	339,105,627
<i>of which: GST</i>	<i>236,786,056</i>	<i>247,000,000</i>	<i>255,954,230</i>	<i>263,000,000</i>
NON-TAX REVENUE	116,521,623	120,844,328	107,712,109	116,762,840
Property Income	14,606,667	15,463,972	14,506,139	19,546,331
Licenses	19,410,384	15,165,785	11,925,317	12,278,829
Royalties	45,284,447	45,693,852	47,997,571	44,869,391
<i>of which: Petroleum royalties</i>	<i>15,493,994</i>	<i>8,600,000</i>	<i>10,732,808</i>	<i>4,400,000</i>
Ministries/Departments	36,111,116	35,351,820	32,174,387	31,958,261
<i>of which: Oil working interest</i>	<i>6,542,791</i>	<i>8,200,000</i>	<i>4,691,010</i>	<i>3,518,258</i>
Repayment of old loans	1,109,009	9,168,899	1,108,695	8,110,028
<b>CAPITAL REVENUES</b>	<b>5,108,346</b>	<b>5,236,055</b>	<b>4,692,417</b>	<b>4,809,727</b>
<b>GRANTS</b>	<b>40,000,000</b>	<b>46,000,000</b>	<b>42,284,937</b>	<b>40,569,048</b>
<b>TOTAL EXPENDITURES</b>	<b>1,022,900,244</b>	<b>1,011,189,139</b>	<b>1,100,809,991</b>	<b>1,068,265,608</b>
<b>RECURRENT EXPENDITURE</b>	<b>780,220,805</b>	<b>821,791,640</b>	<b>842,248,726</b>	<b>873,516,809</b>
Personal Emoluments	312,005,434	332,346,495	347,981,232	367,780,923
Pensions	54,788,668	57,781,636	63,046,398	59,667,246
Goods & Services	173,008,990	196,541,284	191,560,966	210,839,486
Subsidies & Current Transfers	133,450,704	142,795,820	148,256,991	144,275,783
Interest Payments	106,967,010	92,326,405	91,403,139	90,953,371
<b>CAPITAL EXPENDITURES</b>	<b>242,679,439</b>	<b>189,397,499</b>	<b>258,561,265</b>	<b>194,748,798</b>
Capital II Expenditures	111,048,013	105,884,834	113,011,850	97,785,174
Capital III Expenditures	128,508,408	80,420,877	142,863,738	94,367,948
Capital Transfers & Net Lending	3,123,018	3,091,788	2,685,677	2,595,677
<b>RECURRENT SURPLUS/[DEFICIT]</b>	<b>84,188,158</b>	<b>83,122,060</b>	<b>70,129,944</b>	<b>61,362,389</b>
<b>PRIMARY SURPLUS/[DEFICIT]</b>	<b>(6,415,925)</b>	<b>37,287,021</b>	<b>(50,050,829)</b>	<b>2,945,736</b>
<i>As Percentage of GDP</i>	<i>-0.20%</i>	<i>1.09%</i>	<i>-1.46%</i>	<i>0.08%</i>
<b>OVERALL SURPLUS/[DEFICIT]</b>	<b>(113,382,935)</b>	<b>(55,039,384)</b>	<b>(141,453,968)</b>	<b>(88,007,635)</b>
<i>As Percentage of GDP</i>	<i>-3.45%</i>	<i>-1.60%</i>	<i>-4.12%</i>	<i>-2.46%</i>
AMORTIZATION	(64,470,077)	(69,411,238)	(65,940,676)	(85,975,936)
<b>FINANCING:</b>	<b>(177,853,012)</b>	<b>(124,450,622)</b>	<b>(207,394,644)</b>	<b>(173,983,571)</b>

# OUTLINE OF BUDGET STATEMENT FOR FISCAL YEAR 2015/2016

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## **INTRODUCTION**

Mr. Speaker,

I rise to move the second reading of the General Revenue Appropriation Bill for Fiscal Year 2015/2016.

This, Mr Speaker, is the 8th Budget in the current cycle of UDP governance. And it is one that is presented in very special circumstances. It comes, after all, barely a week after the resounding UDP victory in the countrywide Municipal elections. That victory in turn represents a massive reaffirmation of confidence in the programs, policies and economic and political stewardship of this Administration. In that context it is a joy to bring to the House and the nation a 2015/2016 Budget that will ultimately be the implementation vehicle for those now imperishably popular national watchwords: the transformation continues!

Before I get into the details of the Estimates, a word of clarification. First off, this will be the shortest Budget Speech I have ever read. And it is for the reason that a great deal of what traditionally makes its way into the oral presentation, is now confined to the Annex to the Speech. That Annex, titled "Review of the Economy, 2014", is attached to the printed copy of the Speech that each Member is given. It is in fact organic to, and an integral part of, the Speech. It is just that in order to spare the House and the nation the accustomed, though not necessarily appreciated, extended voice presentation, I will not read the Annex. It will, though, also be circulated to the general public.

The second point to make is that while this United Democratic Party Government fully expected to win last week, we could hardly have imagined, let alone properly planned for, the scale of the victory. To some extent, then, the calculations set out in this Budget have already been confounded. Politics is never a business of certainty. And the Public Officers that strive to do the best job possible in preparing the Estimates, could not have been asked to proceed on the basis of an uncertain, though anticipated, electoral triumph. But that triumph, in all its sweeping breadth, is now a fact of life. And there are clear financial implications for what happened last Wednesday. To take the two obvious examples, the citizens of Dangriga and Punta Gorda have a

right to expect immediate relief from the punishing effects of the maladministration inflicted upon them by the outgoing PUP Town Councils. Among other things, it will take Central Government money to assist in their return to progress.

Also, in every other Municipality that the UDP held there were huge advances in the support we already enjoyed. In Belmopan and San Ignacio/Santa Elena, to mention just a couple, there were UDP gains of 16.3 and 11 percentage points respectively. And overall the UDP polled 59 percent of the popular vote. This was a percentage point better than 2006, when 58 percent then was a precursor to the UDP's general election blowout victory two years later. It doesn't take an expert, a psephologist, to be stuck now by the parallels and their implications for 2017.

What this all means, Mr Speaker, is that we cannot disappoint those that did not disappoint us. They came 'all in' on our great transformation enterprise after we promised that the tide would be fully at the flood. Now we must not let them down as they did not let us down. And the rural areas, though not in play last Wednesday, also need to inherit their share of the kingdom, come as equal participants into this time of plenty.

The upshot is, Mr Speaker, that I serve notice right now that I expect to come back to this House with a mid-year Supplementary. For what I present today cannot long survive the tectonic shift caused by last week's results. And so I declare now that the political muscularity of the voters must be matched by the spending muscularity of the Government. And the appointment with a historic destiny that these elections presaged will, I swear, be fully kept by this United Democratic Party.

So with that caveat let me turn now to the details of the 2015/2016 Budget.

## **REVIEW OF FY 2014/2015 STRATEGY**

### **FISCAL PERFORMANCE**

For Fiscal Year 2014/2015 the Central Government is projecting a primary deficit of \$50 million, the equivalent of 1.5 percent of GDP; and an overall deficit of \$141 million or 4.1 percent of GDP.

The projected primary deficit cannot escape the scrutiny provoked by its comparison with the budgeted surplus of 1.1 percent of GDP. And in the same vein the projected overall deficit is almost 2.5 percentage points greater than the initial estimate of negative 1.6 percent of GDP. Of course there is a reason for this. And that reason simply is that the UDP political directorate is unrelenting in its mission. And that mission, we are happy to tell the world, is to infrastructurally overhaul our country; increase social assistance and protect the poor; create jobs; and improve the quality of life for every single Belizean man, woman and child. We must spend in order to do this. We must lighten the heavy load of fiscal consolidation in order to do this. We must take full advantage of the opportunity to borrow at 1.0 percent interest, below even the rate of inflation, in order to do this. We must sidestep the oppressive orthodoxy of "statistics, damn statistics" and focus clearly on the flesh and blood uplift of our people, in order to do this.

Thus it is that in the climate of a sound economy where GDP growth is 3.6% and unemployment fell by 10 percent, the UDP will bypass metrics rooted in dogma and continue with the policies that have produced the unprecedented progress of the last two years.

But back to the figures. Total revenue and grants are projected to be \$959 million, or some \$3 million above budget. This is notwithstanding the decreases in revenues from declining local petroleum production, and the sharp tax fall attendant upon the precipitous drop in the price of imported fuels in the latter months of the fiscal year. Thankfully, revenues from the Shipping and the International Business Companies Registries, which were the key drivers of the heightened revenue performance in the previous fiscal year, were stable this year and in line with the budget estimates.

On the Expenditure side, total expenditure for FY 2014/15 is projected at \$1.1 billion, which is \$89 million above budget. Current expenditure increased by \$20 million, attributed mainly to the hike in Personal Emoluments following the 2014 Salary Rises for public officers and teachers. Here again, it is a cost well worth absorbing.

Development Expenditure also increased by almost \$69 million dollars above the budgeted figures.

Once more I need to reiterate: this huge rise in development expenditure was a result of the Government's decided and deliberate policy to invest massively in infrastructure, particularly in upgrading streets and drains in Belize City, Belmopan City and all District Towns. Also, on the social side, we considered it an imperative to provide access, through the National Bank, to lower-cost financing for mortgage lending. All this as part of our new compact with our citizens, the totality of which is aimed at advancing growth, increasing employment, and taking Belizeans to a better place.

In bulking up the capital spending, there was an outlay of \$33 million on road rehabilitation countrywide; \$11 million for the Lake Independence Boulevard Site Development and Chetumal Street bridge in Belize City; \$7 million in Sports Facilities through GOB's special purpose implementing agency, Belize Infrastructure Ltd.; and an additional \$20 million for equity in that jewel in our crown, the National Bank of Belize.

The deficit of \$141million was financed by various loan sources, including \$33 million from the multi-lateral lenders and \$72 million in draw-downs of PetroCaribe Financing. Those that study debt profiles will note that once again, for the eighth consecutive time, no commercial borrowing was undertaken during the year. Also, we have cut the average interest on the debt stock by a third since 2008.

Our debt strategy has been complemented by our fiscal strategy, which has been to contain current expenditure to within the budgeted figures excepting for the agreed salary increases for staff and teachers. On the other hand, we consciously stimulate growth and employment by stepping up capital expenditure on, inter alia, infrastructure development. So Government has

been careful not to expand current expenditure above current income. And on the capital side we have selected one-off programs that have a well defined implementation beginning and end.

Therefore, Mr Speaker, if we were to set aside this one-off spending for a moment, the recalculated Primary Balance would be in surplus equivalent to 0.09 percent of GDP and the recalculated Overall Deficit would be 2.57 percent of GDP. The point being, Mr Speaker, that our core numbers are absolutely sustainable. But for as long as PetroCaribe lasts, we will take full advantage of this extraordinary opportunity gifted us by Venezuela to engage in this extraordinary (people-centered) spending. But inherent in our approach is the recognition of, and preparation for, the fact that there will come a time when we will quickly need to return to regular budgeting and spending.

### **PETROCARIBE FINANCING**

Mr Speaker, those at home and abroad that have been confounded by our PetroCaribe windfall, continue to fix their baleful eye on the arrangements. There is both a Motion and a Supplementary on today's agenda that fully detail our inflows and outgoings. But I consider it useful at this point to set out an overview. Via this Government's restart of the purchase of petroleum products from Venezuela under the PetroCaribe Energy Cooperation Agreement in late 2012 and up until February 2015, the country of Belize, working through the Government of Venezuela / Government of Belize Joint Venture Company, APBEL (ALBA PetroCaribe Belize Ltd), has imported US\$238 million worth of refined fuel products from Venezuela.

Under the terms of the Agreement, which provides for long term financing of a greater or smaller proportion of the cost of these imports depending on the world market prices, the Government of Belize has borrowed from APBEL a total of US\$143 million (or some BZ\$286 million) during this same period.

The main terms and conditions under which these funds were borrowed included a Rate of Interest of 1.0 percent per annum and a Repayment Term of 25 years inclusive of a two-year Grace Period. During this grace period the interest itself is capitalized.

Because this Grace Period is still in effect, the GOB has not so far had to make any debt payments (neither principal nor interest on these loans). But, commencing this year, interest and

repayment will begin to fall due. To provide for such payments, there is an allocation of BZ\$4 million in the budget.

Of the BZ\$286 million borrowed under the Agreement, the GOB has drawn down some \$126 million to finance various capital programs over two fiscal years (FY 2013/2014 and FY 2014/2015), leaving a current balance of \$160 million in a special account in the Central Bank. These fluctuating balances have been used to bolster our official foreign reserves to a historically high level of \$974 million at end 2014.

The \$126 million drawn down has been used to finance the following projects and programs over the two fiscal years:

<b>Projects/Programs Financed By PetroCaribe Inflows</b>	
Project or Program	Bz\$ million
Equity in the National Bank of Belize	30.0
Upgrading & Rehapilitation of Streets in District Towns	25.4
Upgrading & Rehapilitation of Streets in Belize City	15.0
New Infrastructure (Lake I Blvd. and Landfill & Chetumal Street Bridge) in Belize City	11.0
Social Support & Community Assistance	13.0
Purchase of Property & Equipment	7.1
Sporting Facilities	5.0
Maintenance of Main Roads & Highways	4.7
Counterpart Expenditure to Other Capital Projects	14.8
<b>Total</b>	<b>126.0</b>

Appropriations for the spending were approved largely through supplemental bills including some \$46 in FY 2013/14 and a further \$72 (in two parts) in FY2014/15.

Spending by this means was necessary as, by its very nature, the exact flow of PetroCaribe Financing is unknowable other than ex post facto. It is therefore impossible to make budgetary commitments to projects and programs at the start of a financial year before actually securing the funds.

## **ECONOMIC ENVIRONMENT**

Mr. Speaker, as it looks ahead into the rest of 2015, the Central Bank of Belize conservatively expects GDP growth to decelerate to between 2.0 percent and 2.5 percent. They feel that the tail winds that drove the 2014 expansion will moderate. As an aside, their native caution has been confounded before. Indeed, just last year they had forecast under 3 percent. But we did over a full percentage point better than they estimated.

In any case, production of the export crops (sugarcane, banana and citrus) should continue to increase, though by a smaller magnitude than in 2014. Hydro-electricity generation has been trending downward recently due to drier weather, and petroleum extraction has been on its inevitable finite decline. On the other hand, underpinned by improvement in the economies of Belize's major source markets, arrivals of stay-over tourists are projected to grow by approximately 5.0 percent, and this should lift activity across the associated service sub-sectors. A further boost should come from growth in government services as road infrastructural works aggressively continue and outlays on BIL's district sporting facilities begin to ramp up.

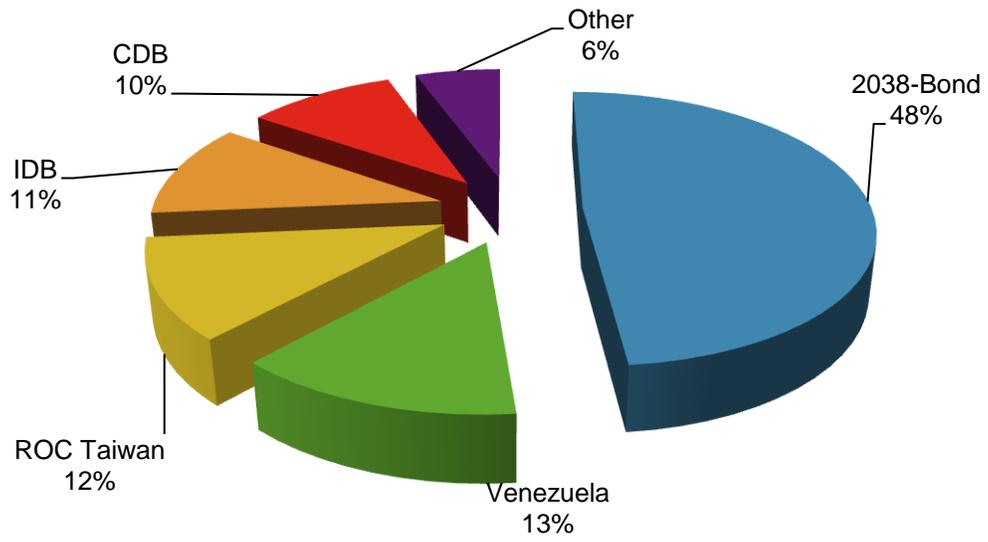
Inflation is expected to remain subdued at between 1.0 percent and 1.5 percent, as the lower cost of fuel in world markets should continue to suppress the prices of a wide cross-section of goods and services in the CPI basket.

The projection is for Central Government's debt to increase by \$102 million to \$2.7 billion, the equivalent of 76 percent of GDP in FY 2015/2016. External or foreign obligations make up 85 percent of the debt, while the remaining 15 percent is from domestic sources.

The 2038-Bond accounts for 48 percent of the external debt. The debt to Venezuela (PetroCaribe) is projected to climb to 14 percent of external debt in FY 2015/2016 from 8 percent in FY 2012/2013. But again, this is debt on such easy terms as is worth undertaking without a second thought.

A total of \$177 million is earmarked in the proposed budget for debt service payments and is made up of \$86 million for Amortization and \$91 million for Interest Payments. As a comparison, interest payments at the height of PUP profligacy totaled 266 million.

**Chart 1: Composition of External Debt, FY 2015/2016**



## **SUMMARY OF THE DRAFT ESTIMATES FOR FISCAL YEAR 2015/2016**

### **NEW BUDGET FORMAT**

Mr. Speaker, as I announced in last year's Budget Speech, program budgeting will be fully rolled out in FY 2015/16. With support from the regional Supporting Economic Management in the Caribbean (SEMCAR), several ministries have prepared work programs for the last two fiscal years within allocated ceilings and using a programming format. The Annual Budget Estimates Document for FY 2015/16 is using a similar approach and programming format for each ministry. The document includes both financial estimates and performance information and describes the purpose, priorities and planned results of government expenditure for each ministry, department and agency. This information is intended to inform Cabinet, Parliament and the public of the results and value for money being achieved by Government ministries and their programs.

### **UNDERLYING PRIORITIES FOR THE BUDGET**

Mr. Speaker, our priorities for the Budget for FY 2015/2016 are similar to those in previous years, and this underscores the fact that even as we have delivered and accomplished so much, our march for progress is not yet complete. Accordingly, with this proposed budget, my Government will harness the resources of the nation to provide Additional Salary Increases for Public Officers and Teachers, and to further enhance the quality of Health Care, Education and National Security. In addition, the budget will continue the countrywide Construction and Reconstruction of Sporting Facilities, Bridges, Roads and Highways, Streets and Drains.

### **SUMMARY ESTIMATES FOR 2015/2016**

The proposed Budget targets a preliminary Primary Balance of Zero Percent of GDP and an Overall Deficit of 2.5 percent of GDP. Total Expenditure is budgeted at \$1.1 *billion* while Total Revenue and Grants are estimated at \$980 million. When taken together, this results in the projected Overall Deficit of \$88 million which is the equivalent of 2.5 percent of GDP.

To this figure we must add a further \$86 million for Loan Amortization requirements, and so arrive at the Total Financing Needs of \$174 million.

<b>Summary of Budget Estimates, FY 2014/2015 to FY 2017/2018</b>				
(Bz\$million)				
	Projected	Draft		
	Outturn	Estimates	FORECAST	FORECAST
	2014/2015	2015/2016	2016/2017	2017/2018
Total Revenue and Grants	959.4	980.3	1,010.6	1,025.0
Total Expenditure	1,100.8	1,068.3	1,040.9	1,061.0
Primary Balance	(50.1)	2.9	62.0	56.3
<i>As % of GDP</i>	-1.5%	0.1%	1.7%	1.5%
Overall Surplus/(Deficit)	(141.5)	(88.0)	(30.3)	(36.0)
<i>As % of GDP</i>	-4.1%	-2.5%	-0.8%	-0.9%
Amortization	(65.9)	(86.0)	(74.4)	(74.4)
Financing Requirement	(207.4)	(174.0)	(104.7)	(110.4)
GDP in current market prices	3,433	3,571	3,716	3,846

These financing needs will be met from the following sources:

- Disbursement of \$40 million from Loans already contracted with our multi-lateral development partners to fund our Capital III Expenditure Program;
- Disbursement of \$20 million in budget support financing from the Republic of China (Taiwan) under the on-going bilateral economic cooperation program; and
- Access to some \$41 million in domestic financing; and
- A further draw-down of PetroCaribe financing in the amounts of \$73 million.

Mr Speaker, I freely concede that the proposed Primary and Overall Balances are not optimum in terms of IFI manuals. And we do not slight their advice concerning the need to increase savings in current operations to meet debt servicing commitments, fund local capital programs, and serve as buffers against possible domestic or external economic shocks. But this is, in a good way, a special period. And core fiscal targets, particularly because of the special borrowing opportunities, must for the moment give way to the development imperatives of our country. Headlining these are infrastructure improvement, employment-creation and providing meaningfully for the poor and the near poor. In the current circumstances we would be failing our people if we did not grasp with both hands this chance to press on urgently with the measurable, tangible progress we have been making. One example of this progress is the almost

5 thousand new jobs we created in the last year. It is the kind of advance on which we cannot now turn our backs.

The policy of this Government will therefore be to continue to exploit its current access to concessionary funding to drive infrastructure, work, poverty-alleviation and social protection for as long as it can.

But I repeat that we remain mindful of the need to be able, in the interests of fiscal and debt sustainability, to adjust our expansionist program at very short notice should the need arise.

<b>Summary of Revenue and Grants, FY 2014/2015 to FY 2017/2018</b>				
	(Bz\$ million)			
	Projected	Draft		
	Outturn	Estimates	FORECAST	FORECAST
	2014/2015	2015/2016	2016/2017	2017/2018
<b>Total Revenue and Grants</b>	<b>959.4</b>	<b>980.3</b>	<b>1,010.6</b>	<b>1,025.0</b>
<b>Total Revenue</b>	<b>917.1</b>	<b>939.7</b>	<b>962.5</b>	<b>985.9</b>
<b>Current Revenue</b>	<b>912.4</b>	<b>934.9</b>	<b>957.6</b>	<b>980.8</b>
<i>Tax Revenue</i>	<i>804.7</i>	<i>818.1</i>	<i>838.6</i>	<i>859.5</i>
Taxes on Income & Profits	264.8	261.9	268.4	275.1
Taxes on Property	5.2	5.3	5.5	5.6
Taxes on Goods & Services	330.2	339.1	347.6	356.3
International Trade & Transactions	204.5	211.8	217.1	222.5
<i>Non-Tax Revenue</i>	<i>107.7</i>	<i>116.8</i>	<i>119.0</i>	<i>121.3</i>
Property Income	14.5	19.5	19.5	19.6
Licenses	11.9	12.3	12.6	12.9
Royalties	48.0	44.9	46.0	47.1
Ministries & Departments	32.2	32.0	32.8	33.6
Repayment of old loans	1.1	8.1	8.1	8.1
<b>Capital Revenue</b>	<b>4.7</b>	<b>4.8</b>	<b>4.9</b>	<b>5.1</b>
<b>Grants</b>	<b>42.3</b>	<b>40.6</b>	<b>48.1</b>	<b>39.1</b>

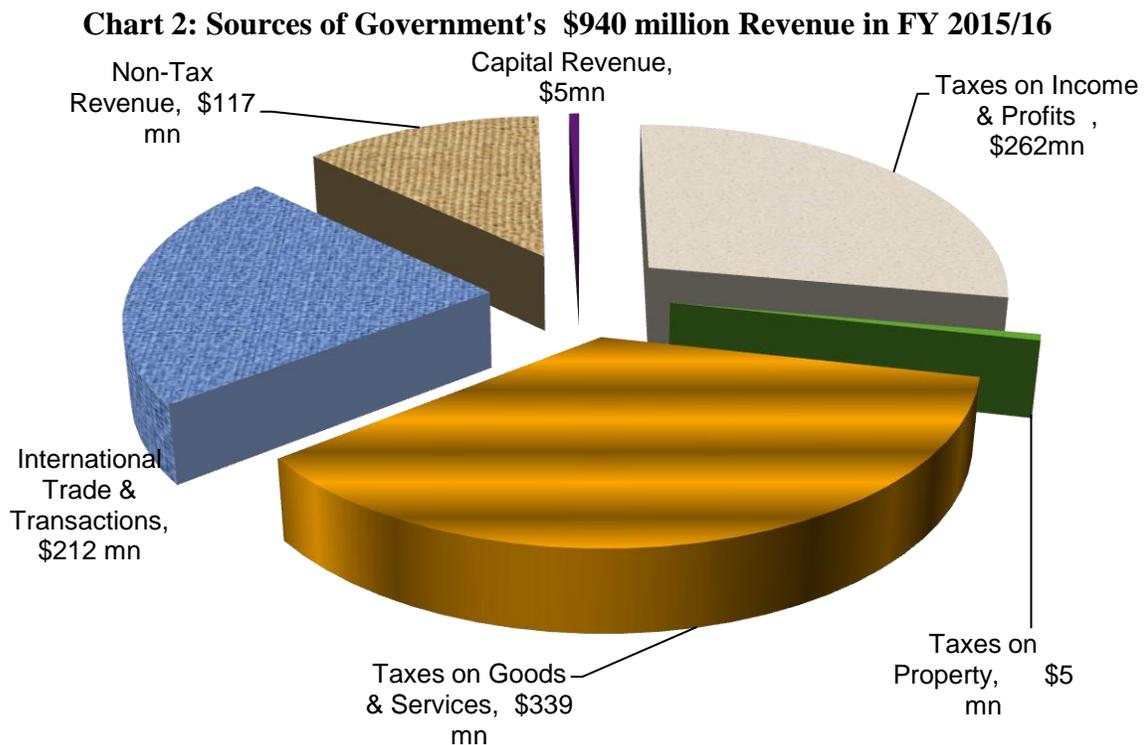
#### **ESTIMATES OF REVENUE 2015/2016**

The Draft Estimates has total Revenue and Grants amounting to \$980 million for FY 2015/2016, and this is comprised of \$934 million in Recurrent Revenue, \$5 million in Capital Revenue and \$41 million in Grants.

Mr. Speaker, in projecting an increase in recurrent revenues we expect a boost in the collection efforts from the main tax sources (particularly Customs Duties, Income & Business Tax and the General Sales Tax), at least in line with economic growth. We also expect the continued strong

performance of the two Registries, control over which was re-acquired in the last fiscal year. Accordingly, we are once more presenting a Budget in which there are absolutely no new tax measures. This is one aspect of our success that perhaps does not receive sufficient notice or praise: that we have, for five years in succession, asked not one penny more of the Belizean people in additional taxes. Rather, we have given back year after year after year to every segment of the society. There are the annual increments and salary increases to the Teachers and Public Officers. There are the continually expanding allocations for Boost and Food Pantry. There are the the millions and millions of dollars in mortgage write-offs through SSB and DFC and the Ministry of Housing. There are the payments for six CXCs and the annual HighSchool subsidies. There are the free tablets to all tertiary level students and the free WiFi in the parks coming to every Municipality. There is the 40 million for home construction and consumer loans through the National Bank. There is Christmas Cheer and Mother's Day and Back to School. And we pay for all this without seeking a red cent more in taxes from the public.

You know, Mr Speaker, years from now, when history looks back on these halcyon days, it will be said of this Administration that truly it was a Government for all. And I am telling you right now, Mr Speaker, there will never come such another.



So this year, like every preceding year stretching back to 2010, we will rely on lifting revenue flows only through improved tax administration and the closing of existing loopholes. We will focus our efforts on tax auditing and on monitoring fiscal concessions and on cracking down on GST evasion.

#### **ESTIMATES OF RECURRENT EXPENDITURE 2015/2016**

The Draft Estimates of Recurrent Expenditure is proposing a total of \$874 million in recurrent expenditure up by \$32 million over the projected outturn of \$842 million for FY 2014/15. Of this proposed amount, some \$368 million is for Personal Emoluments, \$60 million for Pensions, \$211 million for Goods and Services, \$144 million for Subsidies and Current Transfers, and \$91 million for Interest Payments on Debt. The increase in Current Expenditure is attributed to the following:

- In Education - increased transfers to schools under the Education Sector Reform Program;
- In Health - more provisions for medical supplies, the expansion of National Health Services to the Corozal District, and for the new 24-hour service of the San Pedro Polyclinic;
- In National Security – to fund the additional intakes for both the Coast Guard and the Police Force, and also for increased allowances for the Police to right a historical injustice and put them on par with the rest of the Public Service.

Mr Speaker, I remind the House that under the Salary Adjustment Framework that this Government was pleased to agree with the Unions in February 2013, pay raises for the Public Officers and Teachers are triggered by increases in the actual recurrent revenue outturns between two successive fiscal years. I can now say with certainty, based on the preliminary numbers, that there will be such an increase between FY 2013/2014 and FY 2014/2015.

Under the Framework Agreement, one half of that increase will be allocated to another salary spike for the Public Officers and Teachers. And as a place-holder only, we have allocated the sum of \$20 million in the Capital II Program to fund the raise of pay. This translates into at least

a 4 percent jump for these GOB employees, and it is on top of last year's 6 percent. And although it may end up being a little more or a little less depending on the final recurrent figure, we are so very pleased that we are once again coming through with 10 percent over two years for the stewards of our education, our administration, our security.

<b>Summary of Expenditure, FY 2014/2015 to FY 2017/2018</b>				
(Bz\$ million)				
	Projected	Draft		
	Outturn	Estimates	FORECAST	FORECAST
	2014/2015	2015/2016	2016/2017	2017/2018
<b>Total Expenditure</b>	<b>1,100.8</b>	<b>1,068.3</b>	<b>1,040.9</b>	<b>1,061.0</b>
<b>Current Expenditure</b>	<b>842.2</b>	<b>873.5</b>	<b>881.8</b>	<b>940.1</b>
Wages and salaries	348.0	367.8	372.8	412.6
Pensions	63.0	59.7	61.6	62.2
Goods and services	191.6	210.8	211.2	211.9
Subsidies and current transfers	148.3	144.3	144.6	144.7
Interest payments & other charges	91.4	91.0	91.6	108.7
<b>Capital Expenditure &amp; Net Lending</b>	<b>258.6</b>	<b>194.7</b>	<b>159.1</b>	<b>120.9</b>
Capital II	113.0	97.8	83.1	74.5
Capital III	142.9	94.4	73.5	44.0
Net lending	2.7	2.6	2.5	2.4
<b>Amortization</b>	<b>(65.9)</b>	<b>(86.0)</b>	<b>(86.4)</b>	<b>(89.8)</b>

#### ESTIMATES OF CAPITAL EXPENDITURE 2015/2016

Mr. Speaker, my Government is proposing to allocate some \$195 million to its capital program in the upcoming fiscal year, made up of some \$98 million in locally funded Capital II expenditure and some \$94 million in the externally funded Capital III expenditure.

The continuing priority and the bulk of our Capital Program will be allocated toward the upgrading of Highways, Roads, Streets and Drains across the country.

In Toledo works are due to commence shortly on the last remaining segment of the Southern Highway which will lead right up to the Belize/Guatemala border.

In the West, we begin soon the actual construction of the New Macal River Crossing now that its designs and revised costings have been completed.

In the North we expect to complete imminently the new facilities at the Santa Elena Border, including provisions for proper parking (for both commercial and private vehicles), traffic flows, and drainage.

Feeder Road Rehabilitation will continue, including in Stann Creek, under the EU Program.

In Belize City, work on both the North-side Flood Mitigation Project and South-side Poverty Alleviation Project Phase III will step up.

Turning to new projects, several will start this year. Numbered among them are the Rehabilitation of the Hummingbird Highway, the Rehabilitation of the George Price Highway (from Belmopan to Benque Viejo Town), and the Rehabilitation of the Philip Goldson Highway from Belize City to Sandhill.

All of these are donor-financed on either grants or concessional loan terms.

Separately, Mr Speaker, we are allocating the sum of \$12 million for the continuation of the National Primary Road Rehabilitation Project under the PetroCaribe Program.

Mr. Speaker, looking after the needs of the Social Sector is a sacred commitment by which this Government lives, and it underpins all that we do.. Thus you will find in the Estimates that substantial allocations have been made to the Youth and Community Transformation Project, to the Community Action for Public Safety Project, to Health Reform and Education Policy Reform.

## CONCLUSION

Mr. Speaker,

I close by repeating that this is no time for the faint-hearted. Even as our current efforts are being crowned by success, there are those that remind us that it will not always be this way. They say that, in the cycle of economics, bust is certain to follow boom. That overstates the case. But it is true that no age of prosperity such as this can last forever. So even as presently we continue unstintingly to fund the revivification of Belize, we have an eye to the future. Physical transformation must therefore be accompanied by structural transformation as we prepare for the global and local forks in the road ahead. Thus we program even more for education and knowledge acquisition, for trades and skills training. We consolidate and grow agriculture for export, tourism and the traditional areas. But we also strike out in new directions. We seek domestic food and energy self-sufficiency. We go after market share in financial services and outsourcing and nearshoring. To buoy our economy and invest in our people we spend amply and expansively, but never like a drunken sailor. We are conscious that borrowed money, no matter how favourable the terms, must be repaid. So we store up our rainy day fund and we provision to meet our obligations and we hedge against natural disasters.

Above all, though, we seize this day. We place our imprint on this time. We take full advantage of the plenteousness of the era. We construct the kind of economic edifice that is meant to last. And we build a social citadel in which the new man and the new woman of the new Belize can dwell in peace and protection no matter the storms to come.

That, Mr Speaker, is what this United Democratic Party Government is all about, and I thank you.





*REVIEW OF THE ECONOMY, 2014*

[This Document Is An Annex To The 2015 Budget Speech]

# Review Of The Economy 2014

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## **INTRODUCTION**

This publication provides some highlights of Belize's economic performance during 2014, and it has important background information for the Fiscal Year (FY) 2015/16 budget estimates and the associated 2015 Budget Speech.

Honourable Members', citizens, students and agencies should find it helpful in their analysis of the national Budget.

## **INTERNATIONAL AND REGIONAL DEVELOPMENTS**

World output grew by an estimated 3.3 percent in 2014 although the economic recovery remained weak and uneven. Emerging market and developing economies led, but at a decelerated pace due to lower domestic demand, geopolitical tensions and the phasing in of structural reforms intended to achieve greater sustainability. In the advanced economies, activity picked up, with GDP growth in the United States, United Kingdom and Canada expected to range between 2.4 percent to 2.6 percent and the Euro Area registering an increase of approximately 0.8 percent that partly reflected higher output in Germany and Spain.

### **REGIONAL ECONOMIC PERFORMANCE**

Mexico accelerated due to a pickup in exports, construction activity and the energy and telecommunication sectors. In general, however, growth slowed in Latin America and the Caribbean. There were notable contractions in several of the largest South American countries, including Brazil, Argentina and Venezuela with the latter experiencing a deterioration in its balance of payments and fiscal accounts due to the sharp drop in oil prices since mid-2014. Meanwhile, growth in the Caribbean remained constrained by high public debt, competitiveness issues and limited fiscal space. Growth rates averaged around 3.0 percent in commodity exporters such as Guyana, Suriname, and Trinidad and Tobago but was lower, around 1.0 percent, in the countries that were more dependent on tourism. The situation in the Eastern Caribbean Currency Union was further complicated by high levels of non-performing loans that led to elevated risks in its financial sector.

## **ECONOMIC DEVELOPMENTS IN BELIZE - 2014**

### **THE REAL ECONOMY**

#### ***Gross Domestic Product (GDP)***

Belize's economy picked up pace in 2014 and the preliminary estimates of the Statistical Institute of Belize (SIB) are that GDP grew by 3.6 percent as a result of higher production of export crops, record increases in tourist arrivals that boosted the services sector and higher output of electricity.

The export crops benefitted from favourable weather, especially during the second half of the year. Although the 2013/2014 sugarcane harvest had a late start on January 24, 2014, deliveries stretched into the first 8 days of July and surpassed the previous crop year's harvest by 10.8 percent to reach 1.2 million long tons. The citrus crop recovered with a larger second harvest that allowed deliveries for the 2013/2014 crop year to edge up by 0.1 percent to 4.7 million boxes, when compared to the previous crop year. Banana output in the second half of 2014 made up for a shortfall in the first half of the year and raised annual production by 4.0 percent to 5.7 million boxes.

Activity in the secondary sector was rather mixed. While production of domestic electricity was boosted by the co-generation plant as well as output by the hydro-electric dams, and sugar production rose by 21.2 percent, this was offset by a contraction in citrus juice production and the continued fall in crude oil extraction, which fell by 18.9 percent to 0.6 million barrels. During the last quarter of the year, the Never Delay field was taken out of production as its viability was undermined by the combination of steady decline in its oil flow and fall in international crude oil prices.

Improved economic conditions in the main source markets translated into a 9.3 percent increase in stay-over tourist arrivals and a 42.9 percent surge in cruise ship disembarkations as 116 more ships visited Belize. The positive spillover from this buoyed activities in the "Wholesale and Retail Trade" and "Hotels and Restaurants" sub-sectors.

### *Prices*

The average annual inflation rate, as measured by the Consumer Price Index, rose to 1.0 percent in 2014 from 0.5 percent in 2013. Except for “Clothing and Footwear” that declined by 0.3 percent, prices were higher for the major categories of goods and services. The Food Index was trending downwards during the first half of the year. From January’s high of 109.5, it declined 106.8 in June, but then inched back up to 107.5 in December. On the other hand, the index for Fuel & Lubricants climbed steadily to 111.9 in July from 110.8 in January and then fell continuously during the remainder of 2014 to 96.6 in December.

### *Employment*

For the third consecutive year, the SIB conducted two rounds of its Labour Force Survey in 2014 in order to capture the seasonally higher economic activity in April as well as the lower levels of September. The economic upswing in Belize was also evidenced by a 3.6 percent increase in the average employment level to 134,554 persons in 2014 as compared to a 2.5 percent growth in 2013. Consequently, the average unemployment rate fell to 11.6 percent in 2014 from 12.9 percent in 2013.

## CENTRAL GOVERNMENT OPERATIONS

### *Projected Outturn*

The Central Government's outturn for FY 2014/2015 is projected to yield a primary deficit equivalent to 1.5 percent of GDP and an overall deficit of 4.1 percent of GDP. This performance was driven by an expansionary fiscal program in both capital investments and social infrastructure, which was financed by the PetroCaribe flows.

While total revenue and grants for FY 2014/2015 are projected at \$959 million or \$3 million above budget, this should be outpaced by the total expenditure, which is expected is at \$1,101 million or \$89 million higher than the approved estimates.

<b>Summary of Budget Estimates, FY 2012/2013 to FY 2014/2015</b>				
	<b>(Bz\$million)</b>			
	<b>Budget Outturn 2012/2013</b>	<b>Budget Outturn 2013/2014</b>	<b>Approved Estimates 2014/2015</b>	<b>Projected Outturn 2014/2015</b>
Total Revenue and Grants	846.3	909.5	956.1	959.4
Total Expenditure	850.9	1,022.9	1,011.2	1,100.8
Primary Balance	53.2	(6.4)	37.3	(50.1)
<i>As % of GDP</i>	1.7%	-0.2%	1.1%	-1.5%
Overall Deficit	(4.6)	(113.4)	(55.0)	(141.5)
<i>As % of GDP</i>	-0.1%	-3.5%	-1.6%	-4.1%
Amortization	(61.2)	(64.5)	(69.4)	(65.9)
Financing Requirement	(65.8)	(177.9)	(124.5)	(207.4)
GDP in current market prices	3,171	3,286	3,433	3,433

### *Revenue Performance*

The projected rise in Total Revenue and Grants in FY 2014/2015 is attributed to higher receipts from the buoyancy in the Taxes on Income and Profits and from the Taxes on Goods and Services, as other revenue sources and grants are expected to contract. The Taxes on Income and Profits should increase by \$14 million to \$265 million, while the collections from the Taxes on Goods and Services are to go up by \$15 million to \$330 million, with the General Sales Tax (GST) receipts accounting for 60 percent of this growth.

Revenue from Import Duties, a traditional mainstay of Government income, is expected to decrease by as much as \$12 million to \$150 million. While the specific duty rate on imported fuels and the lower than expected declines in the acquisition costs of petroleum products in the latter part of 2014 fuels adversely affected Government receipts, there was much benefit to consumers in the form of massive reductions in fuel pump prices.

<b>Summary of Revenue and Grants, FY 2012/2013 to FY 2014/2015</b>				
	(Bz\$ million)			
	Budget	Budget	Approved	Projected
	Outturn	Outturn	Estimates	Outturn
	2012/2013	2013/2014	2014/2015	2014/2015
<b>Total Revenue and Grants</b>	<b>846.3</b>	<b>909.5</b>	<b>956.1</b>	<b>959.4</b>
<b>Total Revenue</b>	<b>824.9</b>	<b>869.5</b>	<b>910.1</b>	<b>917.1</b>
<b>Current Revenue</b>	<b>820.3</b>	<b>864.4</b>	<b>904.9</b>	<b>912.4</b>
<i>Tax Revenue</i>	<i>704.3</i>	<i>747.9</i>	<i>784.1</i>	<i>804.7</i>
Taxes on Income & Profits	233.1	246.4	250.8	264.8
Taxes on Property	4.9	6.1	5.9	5.2
Taxes on Goods & Services	277.6	305.8	315.3	330.2
International Trade & Transactions	188.8	189.6	212.1	204.5
<i>Non-Tax Revenue</i>	<i>115.9</i>	<i>116.5</i>	<i>120.8</i>	<i>107.7</i>
Property Income	5.7	14.6	15.5	14.5
Licenses	21.3	19.4	15.2	11.9
Royalties	27.3	45.3	45.7	48.0
Ministries & Departments	34.0	36.1	35.4	32.2
Repayment of old loans	27.7	1.1	9.2	1.1
<b>Capital Revenue</b>	<b>4.6</b>	<b>5.1</b>	<b>5.2</b>	<b>4.7</b>
<b>Grants</b>	<b>21.3</b>	<b>40.0</b>	<b>46.0</b>	<b>42.3</b>

### *Expenditure Performance*

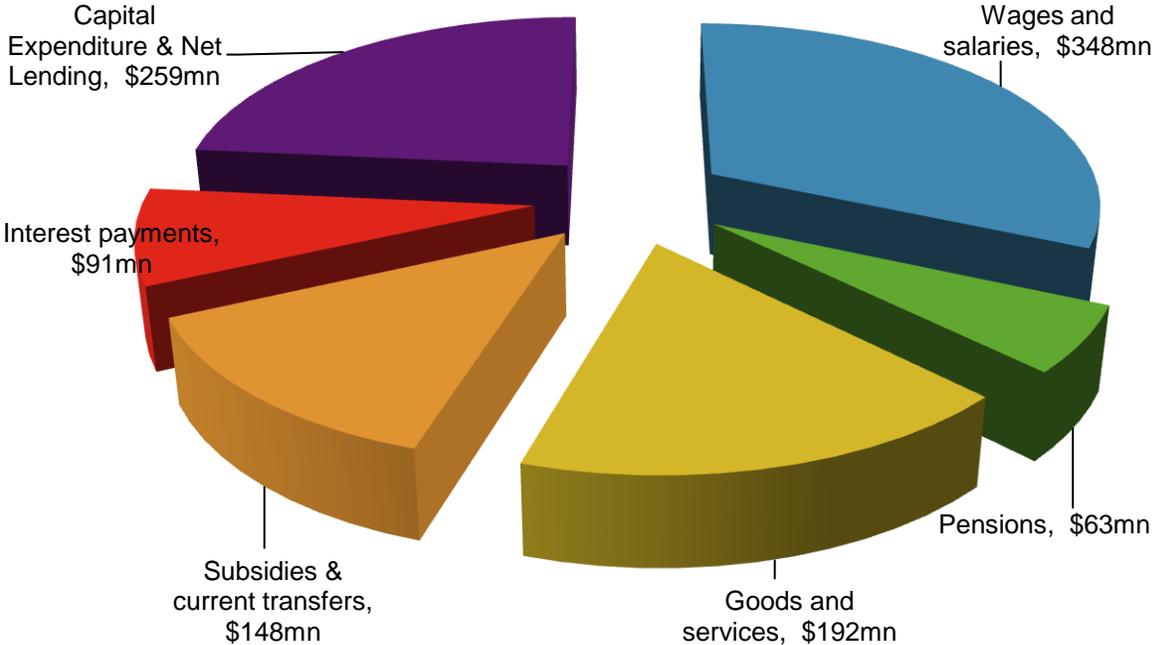
The projected total expenditure of \$1.1 billion reflects an increase of \$16 million to \$842 million in Current Expenditure and an upswing of \$69 million to \$258 million in Capital Expenditure.

The outlay on Wages and Salaries remains the single largest component of Total Expenditure, and at \$348 million for FY 2014/2015 it is responsible for 32 percent of Expenditure and is expected to increase to 40 percent in the medium term. The expenditure on Goods and Services, projected at \$191 million or 17 percent of total outlays, is another significant component of Government spending. At a projected \$91 million, the Interest Payments on the Central Government's debt makes up 8 percent of Total Expenditure but should rise to 10 percent in the medium term with the step-up in 2038-Bond's interest rate.

With the acceleration in development expenditure to \$258 million, it is expected that this should account for 24 percent of Total Expenditure for the second consecutive year. The drawdown under the PetroCaribe Agreement has this level of capital outlays possible, as development expenditure traditionally accounts for about 17 percent of total expenditure.

<b>Summary of Expenditure, FY 2012/2013 to FY 2014/2015</b>				
	(Bz\$ million)			
	Budget	Budget	Approved	Projected
	Outturn	Outturn	Estimates	Outturn
	2012/2013	2013/2014	2014/2015	2014/2015
<b>Total Expenditure</b>	<b>850.9</b>	<b>1,022.9</b>	<b>1,011.2</b>	<b>1,100.8</b>
<b>Current Expenditure</b>	<b>706.7</b>	<b>780.2</b>	<b>821.8</b>	<b>842.2</b>
Wages and salaries	298.2	312.0	332.3	348.0
Pensions	54.5	54.8	57.8	63.0
Goods and services	165.7	173.0	196.5	191.6
Subsidies and current transfers	130.6	133.5	142.8	148.3
Interest payments & other charges	57.7	107.0	92.3	91.4
<b>Capital Expenditure &amp; Net Lending</b>	<b>144.1</b>	<b>242.7</b>	<b>189.4</b>	<b>258.6</b>
Capital II	66.3	111.0	105.9	113.0
Capital III	74.5	128.5	80.4	142.9
Net lending	3.3	3.1	3.1	2.7
<b>Amortization</b>	<b>(61.2)</b>	<b>(64.5)</b>	<b>(69.4)</b>	<b>(65.9)</b>

**Chart 1: Distribution of Government's \$1,101 million Expenditure in FY**



### *Central Government's Debt*

The Central Government's disbursed outstanding debt is projected to rise by 6.0 percent to \$2.7 billion for FY 2014/2015, as there should be increases in both the external obligations (to \$2.3 billion) and in domestic liabilities (to \$0.4 billion) during the review period. The Debt to GDP ratio is expected to rise marginally to 76.5 percent.

PetroCaribe should be the largest single contributor to the expansion in the external debt, as the loan disbursements of \$116 million from Venezuela, at the highly concessional rate of 1.0% per annum and repayment period of 25 years, account for 67 percent of inflows. The increase in the domestic debt is propelled by a \$40 million issue of additional Treasury Notes as part of a wider monetary policy initiative.

<b>Central Government's Debt</b>				
	Disbursed Outstanding Debt			
	ACTUAL	ACTUAL	PROJECTED	FORECAST
	2012/2013	2013/2014	2014/2015	2015/2016
<b>Total Debt (Bz\$ Million)</b>	<b>2,305.0</b>	<b>2,477.5</b>	<b>2,625.9</b>	<b>2,722.9</b>
Domestic Debt	386.3	381.3	425.0	420.0
External Debt	1,918.7	2,096.2	2,200.9	2,302.9
<b>Total Debt (AS Percent of GDP)</b>	<b>72.7%</b>	<b>75.4%</b>	<b>76.5%</b>	<b>76.3%</b>
Domestic Debt	12.2%	11.6%	12.4%	11.8%
External Debt	60.5%	63.8%	64.1%	64.5%

Total debt service is projected at \$157 million for FY 2014/2015, as \$91 million and \$66 million will be for Interest Payments on the debt and Amortization, respectively.

## **THE EXTERNAL SECTOR**

On the external front, the balance of payments current account deficit widened from 4.4 percent of GDP in 2013 to 7.6 percent of GDP. This widening reflected a larger merchandise trade deficit, higher interest payments on the public debt due to the resumption of the bi-annual payments on the 2038 restructured bond and an upturn in profit repatriation by domestic banks and other foreign owned businesses. The growth in the trade deficit reflected increased imports and a fall in export earnings due to lower earnings from petroleum, citrus juices and the commercial free zone. On the upside, earnings from tourism were higher and inflows from remittances increased modestly.

In other developments, grant receipts, particularly from the Republic of China/Taiwan and the European Union, yielded a capital account surplus of \$72 million in 2014. Net inflows on the financial account rose to \$322 million from \$273 million in 2013 mainly due to higher net foreign direct investments, especially in tourism-related construction and real estate activities, and a notable reduction in loan repayments by the private sector. Loan disbursements to the public sector, most of which came from Venezuela under the PetroCaribe Agreement, also contributed notably to the financial account surplus. As a result of the sizeable capital and financial inflows, gross international reserves rose by \$163 million to \$974 million, reflecting a record year-end high of 5.7 months of merchandise import cover.

## **THE MONETARY SECTOR**

Official foreign inflows and an expansion of credit to the private sector fueled money supply growth of 7.9 percent in 2014. Loan disbursements from Venezuela, receipts from sugar, petroleum, the international ship and company registries and foreign currency purchases from domestic banks, boosted the net foreign assets of the Central Bank by \$161 million. In contrast, the domestic banks' net foreign holdings contracted by \$24 million under pressure from the widening external current account deficit and higher foreign currency sales to the Central Bank.

Domestic bank credit to the private sector accelerated in 2014 with an \$86 million increase that was almost double that of 2013. More than half went to the sugar industry, with other notable amounts going into real estate and construction projects. After launching operations in late 2013, the National Bank of Belize Ltd. (NBBL) expanded its loan portfolio by \$20 million up to the end of 2014. In contrast, credit union lending decelerated with disbursements falling from \$59 million to \$35 million, most of which was channeled into loans for personal purposes and home construction.

With their holdings of statutory liquid and cash balances exceeding requirements by 60.0 percent and 161.1 percent, respectively, the interest rates of the domestic banks declined for the sixth consecutive year. The weighted average lending rate fell by 46 basis points to 10.66 percent, with the largest fall in rates occurring on residential mortgages. During the same period, the weighted average deposit rate declined by 44 basis points to 1.73 percent, and as a result, the weighted average spread of the banks narrowed by 2 basis points to 8.93 percent.

There was continued improvement in the indicators of banking system health during the year with three banks meeting the November target date for the requisite loan loss provisions. Loan write-offs tapered off to \$22 million in 2014 from \$51 million in 2013, and non-performing loans (net of specific provisions) to total loans decreased to 7.0 percent at the end of December 2014 from 8.8 percent in 2013. The Central Bank will be maintaining its enhanced vigilance and oversight to lock in these gains and bring about further improvements.

## **GOVERNMENT'S REFORM AGENDA**

### ***Reform of Public Finance Management***

The reform of the Public Finance Management (PFM) System will enter its seventh year in FY 2015/16.

The Final Report for the Public Expenditure and Financial Accountability (PEFA) Assessment, which was conducted at end-2013, was issued in February 2014. Comments were received from several of Belize's development partners, including the European Union (EU) who funded the Assessment, and the Report concluded that little change had occurred since the 2008 PEFA Assessment in terms of ratings. A general strengthening trend is noticeably gathering pace and planned PFM reform activities should enable significant further strengthening over the next few years.

Areas of strength identified in the Final Report include:

- Budget preparation;
- The controls over budget execution, which enable in-year predictability in budget execution and minimize expenditure arrears;
- A good system of debt recording and reporting;
- Reasonable payroll controls, though risks remain;
- A good system of in-year budget performance reporting;
- Significant improvement in the transparency of donor operations: Most planned and actual donor expenditures are reflected in approved budgets and budget performance reports; and
- A good system for legislative review of the budget.

The staff of the Treasury Department continued to work at improving the comprehensiveness and content of the Government's financial statements with the objective of making them compliant with the International Public Sector Accounting Standards (IPSAS) cash-based

reporting standards by 2015. The Treasury Department is also committed to ensuring a more timely hand over of the financial statements to the Auditor General and for further submission to the National Assembly. This work has been assisted by SEMCAR while the development of a new Chart of Accounts has been facilitated by CARTAC. The latter is progressing very well.

With the help of the Inter-American Development Bank (IDB), work continued during FY 2014/15 on a medium-term action plan to enhance public expenditure management. The Budget Unit with responsibility for Procurement in the Ministry of Finance and the Contractor General's Office benefited from an attachment with their counterparts in Jamaica during the third quarter of FY 2014/15. A draft Action Plan to strengthen the two offices will be finalized early in FY 2015/16. Technical and professional staff in the Ministries of Finance and Economic Development, National Security and Works, and University of Belize participated in a four-week training program designed to strengthen their project analysis and public investment management skills. The technical assistance was funded by the IDB.

Work on revenue administration progressed satisfactorily during FY 2014/15 focusing on improving transparency, controls and collections. Collaboration and coordination among the three revenue administrations improved especially with regard improving the integrity of the taxpayer registration database and performing joint audits.

#### ***Financial System Modernization (National Payments System)***

In 2014, there were significant milestones in the effort to reform and modernize Belize's national payments system with a view to achieving greater efficiency in the settlement of payments between transacting parties, reducing payment-related risks, increasing the speed of settlements and facilitating financial inclusion and financial system stability. A preliminary draft of a National Payments System bill was presented to key stakeholders for feedback, and considerable progress was made in fleshing out accompanying proposed regulations. The selection process to identify a supplier of an automated payment system was also initiated. It is anticipated that the bill will be enacted in 2015, and the installation of the new payment system infrastructure will also commence.

## ANNEX

ANNEX 1: Select Indicators					
	2010	2011	2012	2013 <sup>R</sup>	2014 <sup>P</sup>
<b>POPULATION AND EMPLOYMENT</b>					
Population (Thousands)	323.0	332.7	338.9	347.8	356.9
Employed Labour Force (Thousands)	n.a.	n.a.	126.7	131.4	134.6
Unemployment Rate (annual average) (%)	n.a.	n.a.	15.3	12.9	11.6
<b>INCOME</b>					
GDP at Current Market Prices (\$mn)	2,794.2	2,974.0	3,147.7	3,248.6	3,398.3
Per Capita GDP (\$, Current Mkt. Prices)	8,651.6	8,939.0	9,287.1	9,339.7	9,520.5
Real GDP Growth (%)	3.3	2.1	3.8	1.5	3.6
Sectoral Distribution of Constant 2000 GDP (%)					
Primary Activities	14.4	13.5	13.9	14.5	14.3
Secondary Activities	19.7	18.7	17.2	15.4	14.6
Services	60.4	60.3	60.3	60.3	61.1
<b>TOURISM</b>					
Stay Over Arrivals (Thousands)	224.7	233.2	257.3	272.3	297.5
Cruise Ship Passenger Arrivals (Thousands)	688.2	654.8	576.7	609.6	871.3
<b>MONEY AND PRICES (\$mn)</b>					
Inflation (Annual average percentage change)	0.9	1.7	1.3	0.5	1.0
Currency and Demand deposits (M1)	707.9	839.3	1,102.9	1,121.9	1,313.8
Quasi-Money (Savings and Time deposits)	1,377.0	1,361.9	1,340.6	1,354.7	1,358.2
Money Supply (M2)	2,084.9	2,201.2	2,443.5	2,476.6	2,672.1
Excess statutory liquidity	160.1	221.1	312.6	293.5	338.8
Excess cash liquidity	60.5	95.7	152.6	198.3	335.8
Excess securities	24.7	151.5	173.9	166.0	162.9
<b>CREDIT (\$mn)</b>					
Commercial Bank Loans and Advances	1,762.0	1,756.5	1,802.6	1,854.3	1,933.0
Public Sector	8.9	8.8	16.7	23.8	17.6
Private Sector	1,753.1	1,747.7	1,786.0	1,830.5	1,915.5
<b>INTEREST RATE (%)</b>					
Weighted Average Lending Rate	13.8	12.9	11.9	11.1	10.7
Weighted Average Deposit Rate	5.6	3.7	2.6	2.2	1.7
Weighted Average Interest Rate Spread	8.2	9.2	9.4	9.0	8.9
<b>BALANCE OF PAYMENTS (US \$mn)</b>					
Merchandise Exports (f.o.b.) <sup>(1)</sup>	475.7	603.6	621.6	608.6	588.7
Merchandise Imports (f.o.b.)	649.8	778.2	818.1	875.9	925.5
Trade Balance	(174.0)	(174.6)	(196.6)	(267.3)	(336.8)
Remittances (Inflows)	75.8	73.0	73.6	72.0	78.0
Tourism (inflows)	264.4	247.6	282.9	333.1	356.3
Services (Net)	200.1	169.1	221.6	240.3	273.9
Current Account Balance	(40.6)	(19.9)	(19.3)	(72.1)	(128.7)
Capital and Financial Flows	33.0	44.7	84.3	174.1	197.4
Gross Change in Official International Reserves	4.3	18.1	47.8	113.9	81.8
Gross Official International Reserves <sup>(2)</sup>	218.0	236.1	288.9	405.1	486.8
Import Cover of Reserves (in months)	3.7	3.3	3.8	5.0	5.7

Sources: Statistical Institute of Belize and Central Bank of Belize

(1) Includes CFZ gross sales

(2) Starting in 2005 these numbers have been revised to reflect only usable reserves as defined by BPM5.

P: Preliminary      R: Revised      n.a.: Not Available