

The Real Economy

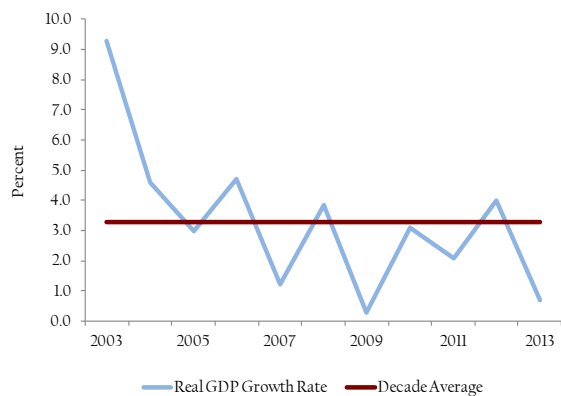
Preliminary estimates by the SIB are that GDP growth decelerated to 0.7% as strong activity in tourism, government services, construction, fishing and utilities were offset by downturns in the major export crops and agro-manufacturing, as well as the continued decline in petroleum extraction.

Primary sector activities contracted by 1.5% with a substantial increase in shrimp output being outweighed by reductions in banana, sugarcane and citrus, which were adversely affected by weather and crop diseases. Activity in the secondary sector also contracted by 5.2% during the year partly due to a 15.3% decline in “Manufacturing” that reflected reductions in the agro-processing of sugar and citrus juices coupled with the continued plunge in petroleum extraction. On the up side, increased output of hydroelectricity in the second half of the year and heightened activity in public

sector infrastructural works and other private projects led to expansions of 8.1% in “Electricity and Water” and 16.3% in “Construction”.

The tertiary sector grew by 2.0% as the economic recovery in Belize’s main source markets and aggressive tourism marketing helped to boost stay-over visitor arrivals and cruise ship disembarkations. The heightening of tourism activities underpinned expansions in “Hotels and Restaurants” and “Wholesale and Retail Trade” of 9.7% and 4.2%, respectively. Growth was further bolstered by the roll-out of government’s capital projects that resulted in a 5.7% increase in “Government Services”. These increases were slightly offset by declines in “Other Private Services” and also in “Transport and Communications” which faced reduced demand for transportation services by producers of oil and agricultural exports.

Chart 5.1: Annual Growth Rate of Real GDP



Source: SIB

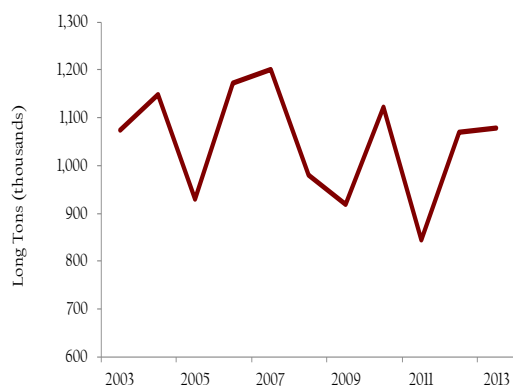
Agriculture

Sugarcane

On a calendar year basis, sugarcane deliveries were down by 21.9% in 2013 as losses from pest infestation, particularly the froghopper, whittled down the yield gains from replanted fields. However, in crop year terms, which typically includes the last two months of the previous year and ends in May or June, a 0.7% increase was recorded, bringing the total to 1,078,019 long tons. Close coordination of deliveries and factory improvements

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Chart 5.2: Sugarcane Deliveries



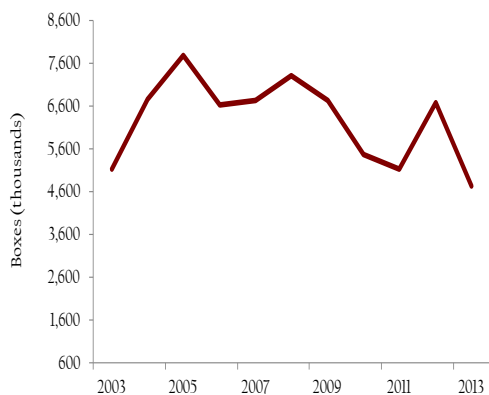
Source: BSI

shortened the crop's delivery timeframe by two weeks and kept the harvesting within the period of favourable weather, developments that helped to mitigate the effects of the froghopper infestation. Despite a less favourable exchange rate obtained on the futures market for the Euro and higher international freight charges, the average price paid to farmers rose by 3.2% to \$74.45 per long ton of sugarcane. This was due to a 38.6% increase in the premium paid by EU importers on the base reference price (€335.2 per metric ton) to attract and retain suppliers.

Citrus

Following a rebound from storm damages in the previous crop year, citrus deliveries fell by 29.9% to 4.7mn boxes due to diseases and adverse weather that accentuated the cyclical downturn in crop production. Orange and grapefruit deliveries declined by 30.2% to 4.1mn boxes and by 23.0% to 0.7mn boxes, respectively, as citrus greening and excessive rains contributed to premature fruit drop. In line with the changes in international prices, the average prices paid to farmers for orange was \$1.75 per pound solid (ps), down from the \$2.31 received for the 2011/2012 crop, and \$2.30 per ps of grapefruit in 2012/2013, compared to the \$2.10 of the previous crop year. Current reports from the industry indicate that future production may be constrained because a shortage of germ-free certified seedlings has led to a backlog in the replanting of groves.

Chart 5.3: Citrus Fruit Deliveries



Source: CPBL

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Banana

The new five-year exclusive marketing contract between the Banana Growers' Association (BGA) and Fyffes commenced on 1 January 2013, and this facilitated the farmers' field investment planning. Even with expanded acreage, however, annual banana production declined by 4.7% to 5.4mn boxes, as the average yield per acre fell from 816 boxes to 736 boxes due to heavy rains that hampered bunch development throughout the year. At the end of 2013, the acreage under cultivation stood at 7,154, a 2.6% increase, while the area under plantilla (young trees not as yet yielding fruits) rose by 190 acres to 340 acres.

Other Agricultural Production

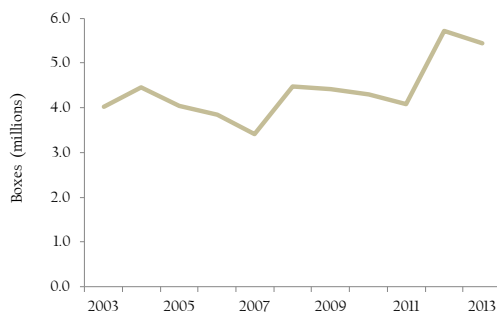
In a move to combat losses from viral infections that plagued production, the largest papaya producer shifted cultivation to new fields. Consequently, even with a reduction from 750 acres to 613 acres, papaya

output escalated by 32.1% to 48.0mn pounds during the year.

Heavy rains impacted production across the nation, increasing the average yields of some crops while reducing the output of others. The output of bean (which is highly susceptible to water-logging and fungal diseases) shrank by 31.5% due to a 24.4% fall in the average yield and a 5.7% cut in productive acreage. On the upside, expansions in acreage and yields led to marked increases in soybean and rice production of 266.6% to 8.5mn pounds and 66.5% to 45.2mn pounds, respectively. The growth in the latter was mostly due to a 73.4% expansion in acreage under mechanized production in western Belize, while acreage under soybean more than tripled to meet the demand for animal feed. Sorghum also grew by 23.1% to 43.0mn pounds with improvement in the average yield, while new entrants into corn production and a nascent export market in CARICOM contributed to an 11.2% increase in acreage and an 8.2% expansion in output to 151.3mn pounds.

In the case of vegetable and root crops, higher output of carrots, cauliflower, squash, broccoli and pumpkin reflected increased acreages and average yields, while the upturn in hot pepper production was attributable to a 35.1% growth in the average yield. In contrast, production of Irish potato, tomato, onion and cabbage fell, with the

Chart 5.4: Banana Production



Source: BGA

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latter two crops adversely impacted by both lower acreage and average yields. Plantain cultivation was down by 14.2% due to a 12.5% decline in acreage with the average yield also falling by 1.9%. The outturn for livestock was also mixed. While poultry and cattle dressed weight rose by 11.9% to 35.3mn pounds and by 11.0% to 4.0mn pounds, respectively, there were declines of 7.1% in output of milk and 4.7% in pig dressed weight.

Marine Products

Output of marine commodities rose by 17.5% to 17.4mn pounds with strong growth in whole fish and a second consecutive year of improved performance by the shrimp industry. The latter was underpinned by a full year of production by Belize Aquaculture and the opening of two additional shrimp farms during the fourth quarter, which contributed to a 21.9% increase in farmed shrimp to 15.6mn pounds during the year.

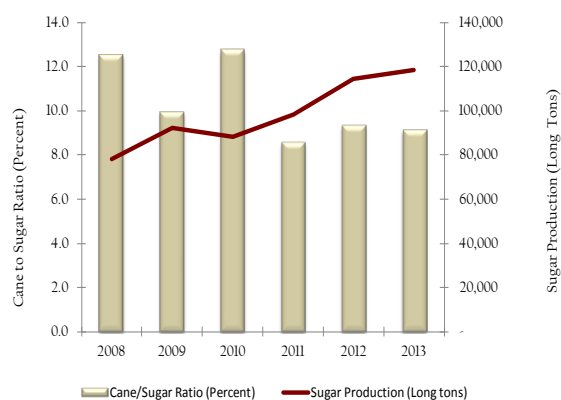
Production of whole fish, particularly by the southern cooperatives, also surged upward by 33.6% to meet strong international demand. Following growth spurts in 2012, the wild capture of lobster and conch fell by 26.6% to 0.5mn pounds and by 11.1% to 1.0mn pounds, respectively, due to cyclical downturns in their reproductive cycles.

Manufacturing

Sugar and Molasses

In line with deliveries, production of sugar declined by 17.3% in 2013 while recording an overall increase of 3.3% for the 2012/2013 crop year to 118,339 long tons. The cane to sugar ratio improved by 2.5%, reflecting gains along the field-to-factory value chain. The dry weather during the harvest period caused the crop's sucrose content to improve from 12.3% to 12.8%. Concurrently, shorter delivery timeframes and the factory's higher grinding rates and processing capacity reduced losses from sucrose degradation in the cut sugarcane. Production of molasses also increased by 11.5% to 34,508 long tons.

Chart 5.5: Sugar Production and Cane to Sugar Ratio



Source: BSI

Citrus Juices, Citrus Oil and Pulp

Marginal increases in the average juice outturn per box did not compensate for the sharp decline in deliveries. Consequently, output of citrus juices decreased by 29.0% to 28.3mn ps. While the average juice outturn per box of orange remained stable at 6.31 ps, that of grapefruit increased by 2.7% to 4.14 ps per box of fruit. The bulk

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of deliveries went into the manufacture of orange and grapefruit concentrates, which registered declines of 30.3% to 25.3mn ps and 15.8% to 2.8mn ps, respectively. Not-from-concentrate production accounted for only 1.0% of juice output and fell for a third consecutive year, as the processor remained focused on concentrate juices that had more attractive profit margins. As a result of the fall in processing throughput, output of pulp and citrus oils fell by 22.8% to 2.2mn pounds and by 26.8%, to 1.6mn pounds, respectively.

Other Manufacturing Production

Reversing two years of decline, production of fertilizer rose by 13.2% due to higher demand from sugarcane farmers who were participants in the Fair Trade programme and an expansion in grain acreage. Soft drink processing rose by a more subdued 2.6%, while beer production edged down by 1.1% as regional imports cut into the market share of the local company. A 4.8% decline was also recorded in flour production, the first in five years, with this being linked to increased importation and competition from Mexico.

Crude oil extraction continued to plunge in 2013, registering a 23.1% decline to 792,339 barrels. The Never Delay field yielded only 5,533 barrels, an 86.7% decline, while output at Spanish Lookout was 20.4% lower due to a drop in the daily extraction rate from an average of 2,708 barrels in 2012 to 2,156 barrels in 2013. It is estimated that approximately

9.4mn or 53.9% of the 17.4mn barrels of extractable reserves at this field have been recovered after eight years of commercial production. Plans to drill horizontal wells during the year to improve the extraction rate were shelved, and attention focused instead on pumping water back into the oil reservoir to maintain well pressure. Given the performance to date, it is expected that the more readily extractable reserves of the Spanish Lookout field may be depleted in approximately 5 years, after which, costs may become too prohibitive.

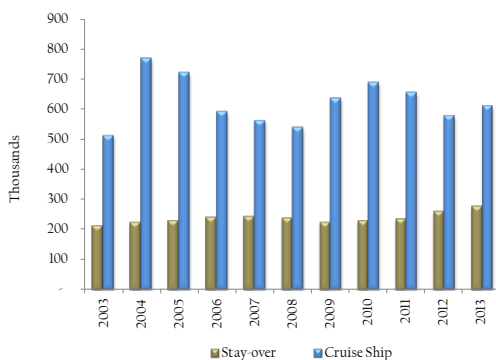
Tourism

World Tourism Organization statistics indicate that 2013 was a record year in international tourism with visitor arrivals up by 5.0% to 1.1 bn. While the most notable expansion was in South-East Asia, which recorded a 10.0% increase, the 5.2% growth in visitors to the advanced economies slightly outpaced the 4.8% increase recorded for the emerging nations as a group. Central America and the Caribbean saw increases of 4.2% and 2.8%, respectively, with further growth being expected in 2014, as the global economic recovery strengthens.

On the domestic front, overnight tourism maintained its upward trajectory as visitors rose by 5.8% to 272,255, marking the fourth consecutive year of growth. Aggressive marketing, heightened publicity and improvements in the economies of Belize's

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Chart 5.6: Tourist Visitors

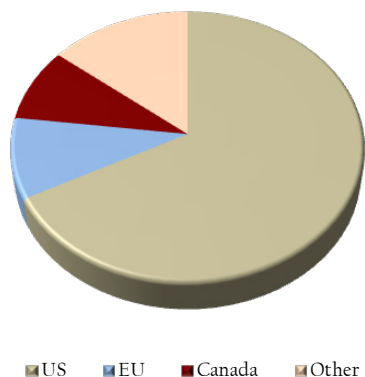


Sources: BTB and CBB

main source markets combined to boost arrivals at all entry points. Arrivals from the EU, the country's second largest source market, grew by 8.6%, a reversal of the 8.4% downturn recorded in 2012. The largest increase was recorded from the Canadian market (10.9%), the main target of the increased marketing efforts of the BTB, while visitors from the US that account for 67.4% of stay-over tourists also grew by 4.1%.

Following its 11.9% contraction in 2012, cruise ship disembarkations rose by 5.7% to 609,612 as North American cruise lines reduced cruises to Europe and other alternative long-haul, non-traditional destinations, and deployed more ships to meet the demand for regional cruises. Even with cancellations due to adverse weather, port calls to the country increased by seven with larger ships being used.

Chart 5.7: Composition of Stay-Over Tourist Arrivals



Sources: BTB and CBB

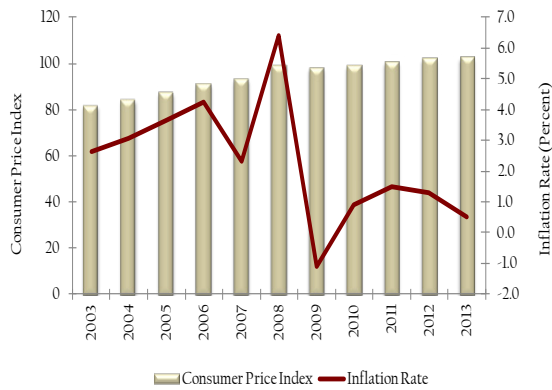
Prices

The SIB estimated that average inflation fell from 1.3% in 2012 to 0.5% in 2013 with price declines of 3.2% for “Miscellaneous Goods and Services” and 2.2% for “Clothing and Footwear” that mainly reflected lower import prices as measured by a 1.0% fall in the US export price index. With international fuel prices rising at a lower rate, the rate of increase in average prices for the fuel dependent categories of the CPI softened.

Price increases for “Housing, Water,

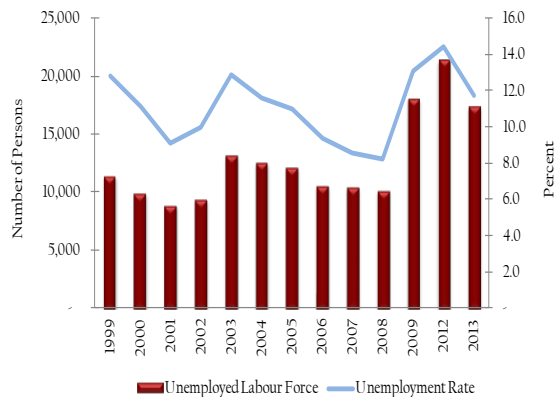
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Chart 5.8: Consumer Price Index



Source: SIB

Chart 5.9: Unemployment



Source: SIB

Electricity, Gas and Other Fuels” consequently stabilised at 0.4%, while that for “Transportation” fell from 2.3% to 1.7%. The largest increase was for “Health” services, which was up by 3.0% in 2013 mainly because of higher hospital accommodation fees. Higher prices for beef, poultry and rice were significant in the estimated 1.5% increase in average prices for “Food and Non-Alcoholic Beverages”.

Employment

Surveys conducted by the SIB in April 2012 and April 2013 revealed a decrease in the unemployment rate from 14.4% to 11.7%, as upturns in construction, tourism and other services underpinned a 3.5% expansion in jobs. While the population increased by 2.6%, the size of the labour force grew by only 0.2% to 148,755 because of a reduction in the participation rate (the share of the working age population that is willing to work) from 65.4% in 2012 to 64.2%.

Between April and September, the labour force expanded by 0.4% to 149,355 persons with school leavers swelling the ranks. Due to the third-quarter seasonal downturn in economic activity, the unemployment rate rose to 14.2%, which was nonetheless an improvement in comparison to the 16.1% unemployment rate recorded in September 2012. The SIB reported that the number of jobs in September was 1.2% higher than it was one year earlier and that the labour force was 1.1% lower, with the labour force participation rate falling from 66.1% in September 2012 to 63.8% in September 2013.