# BELIZE

| Table 1 | 2020 |
|---|---|
| Population, million | 0.4 |
| GDP, current US$ billion | 1.8 |
| GDP per capita, current US$ | 4440.7 |
| School enrollment, primary (% gross)[a] | 110.5 |
| Life expectancy at birth, years[a] | 74.5 |

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) WDI for School enrollment (2019); Life expectancy (2018).

*Belize entered the COVID-19 pandemic with high public debt, external vulnerabilities, and a low economic growth rate. The crisis is expected to increase poverty and unemployment. In turn, protecting the vulnerable remains a policy priority. Authorities have built up reserves and continue to provide ample liquidity. Growth will return slowly over the medium term while downside risks remain high and susceptible to natural shocks and delays in implementing vaccination.*

## Key conditions and challenges

Tourism is the number one foreign exchange earner, followed by exports of sugar, bananas, citrus, seafood, and crude oil. Supported by expansionary monetary and fiscal policies, average GDP growth was almost 5.6 percent between 1999 and 2008, falling to an average of 1.8 percent between 2009-19. Belize's dependence on energy imports makes it highly vulnerable to energy price shocks, and the peg of the Belize dollar to the US dollar since 1976 leaves no room for inflation targeting. Structurally high unemployment, a growing trade deficit, and a heavy foreign debt burden continue to be major concerns coming out of the pandemic over the medium term amid tepid growth.

The COVID-19 pandemic hit when the economy was already in recession due to drought and a slowdown in tourism in the second half of 2019. The pandemic's impact on the economy is severe due to the collapse in tourism activity and the indirect effects of the necessary containment and mitigation measures. The international airport reopened in October 2020 with appropriate protocols for testing and tracing. However, the number of international flights to Belize is only a fraction of its pre-pandemic levels, and tourism activity is experiencing a slow recovery.

Risks could stem from a resurgence in COVID-19 infections, as mass vaccination programs will take time to roll out. External risks include higher oil prices and exposure to extreme climate-related shocks. The EU Economic and Financial Affairs Council (ECOFIN) excluded Belize from the EU grey list of non-cooperative tax jurisdictions; however, gaps remain in the supervision of the financial sector.

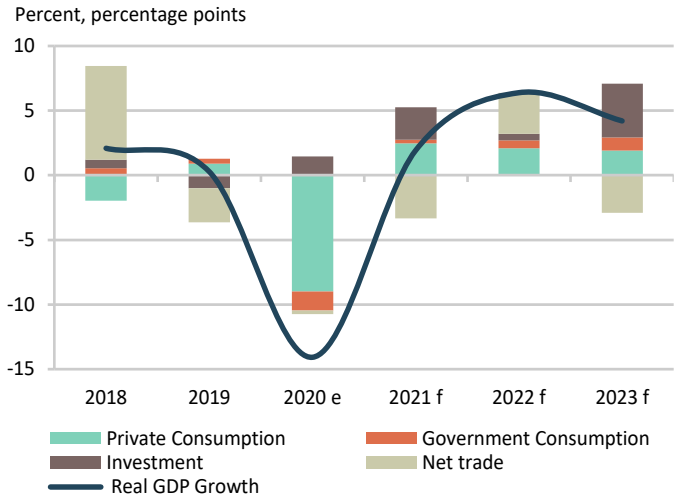
## Recent developments

Belize's economy contracted 14.1 percent in 2020, driven by a sharp reduction in net external demand and private consumption, reflecting the impact of the near closure of international travel, curfews, and slowdown in global demand. A severe drought in 2019 that extended into the first half of 2020 caused a falloff in hydroelectric generation. Tropical depression Eta further exacerbated this in the fourth quarter, damaging crops and livestock. With the drop in oil prices and demand in 2020, inflation remained subdued at 0.1 percent.

The current account deficit (CAD) narrowed in 2020 to 8.1 percent of GDP, financed by remittances from abroad, foreign direct investment (FDI) inflows, donations, and multilateral lending. International reserves recovered to US$347 million at the end of 2020, as foreign exchange reserves benefited from the deferral of quarterly interest payments to bondholders since August 2020.

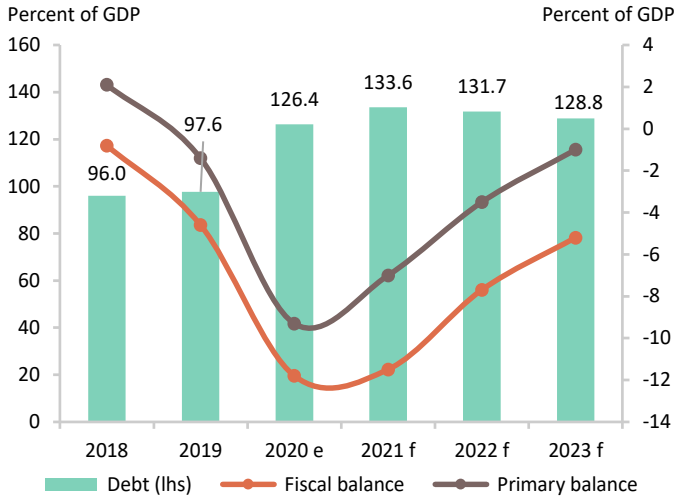
The reduction in tax collection and increased expenditure pushed the fiscal deficit to 10.9 percent of GDP in 2020 and brought up the debt level to 125.4 percent

**FIGURE 1** **Belize** / Real GDP growth and contributions to real GDP growth




Sources: Statistical Institute of Belize and World Bank staff calculations.

**FIGURE 2** **Belize** / Fiscal balances and public debt




Sources: Ministry of Finance and World Bank staff calculations.

of GDP. Following a near default on payments in 2020, Belize managed to renegotiate with creditors the terms on the US dollar-denominated bonds due in 2034.

Authorities established measures to maintain credit flow in the economy, including reducing statutory cash reserve requirements, extending the period to classify targeted non-performing loans and other affected aspects of the banking system balance sheet.

The expected impacts of the COVID-19 crisis on the labor market are significant, likely leading to poverty increases. According to official statistics, approximately 39,000 persons moved out of employment (either to unemployment or out of the labor force) from March to August 2020. About 25 percent of the employed persons reported reduced or partial wages. Overall, the unemployment rate increased by 19.1 percentage points from September 2019 to September 2020.[1] The most affected sector is tourism, with 66 percent of the job losses. The pandemic has affected significantly more the youth, men, and those in the service sector. Overall, about 64.4 percent of the employed population who lost their job due to the pandemic were men. The youth (ages 25-34) accounted for many job losses (28.2 percent).

## Outlook

Economic recovery is projected to begin with the launch of the vaccine in 2021. However, the speed at which the vaccine is distributed remains uncertain. Growth will also depend on natural disasters in 2021. Accelerating efforts to build resilience to disasters would reduce economic instability and boost economic growth. Inflation will increase to 2.0 percent over the medium term as the prices of many imported commodities normalize.

The sharp decline in economic activity and employment losses are expected to lead to significant poverty increases in 2020 and possibly lasting through 2021, depending on the recovery speed. An unemployment relief program providing temporary benefits to the unemployed, the upscaling of transfers through Boost (the conditional cash transfers program), a new COVID-19 cash transfer (BCCAT) to uncovered poor households, and a food pantry program has offered temporal relief to the most affected and partially mitigate the poverty increase, particularly in the short term. However, the lack of recent data makes it difficult to assess the beneficiary incidence of these emergency transfers among the 'current' poor.'

The CAD is predicted to widen over the medium term as imports recover and remittances level off. The CAD will be financed by private inflows, donations, and multilateral lending, supplemented by a drawdown in reserves. In this context, the level of international reserves could fall below 5 months of imports as quarterly interest payments to bondholders will begin again in May 2021.

With the expected economic recovery, tax collections will improve, and cash transfers may decrease, reducing the fiscal deficit to 5.1 percent of GDP and lowering the public debt to 127.5 percent of GDP by 2023. Despite short-term relief due to the capitalization of the next three bond interest payments, timely payments of Belize's debt service will depend on favorable financial and economic conditions that could be strained if economic activity recovers at a slower pace.

1/ There were some methodological changes in the LFS from 2019 to 2020 due to revisions in the definitions of unemployment, employment and underemployment that affect comparability. Comparisons here used the previous definition for both years.

**TABLE 2 Belize** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

| | 2018 | 2019 | 2020 e | 2021 f | 2022 f | 2023 f |
|---|---|---|---|---|---|---|
| **Real GDP growth, at constant market prices** | 2.9 | 1.8 | -14.1 | 1.9 | 6.4 | 4.2 |
| Private Consumption | -2.7 | -3.3 | -14.0 | 3.8 | 3.2 | 3.0 |
| Government Consumption | 3.5 | 2.5 | -12.3 | 6.6 | 0.6 | 10.4 |
| Gross Fixed Capital Investment | 13.4 | 10.5 | 25.2 | 5.1 | 3.9 | 18.0 |
| Exports, Goods and Services | 7.5 | -7.0 | -14.1 | 2.7 | -3.2 | -3.3 |
| Imports, Goods and Services | -4.3 | 3.8 | -12.9 | 7.2 | -7.5 | 5.5 |
| **Real GDP growth, at constant factor prices** | 3.1 | 1.0 | -14.1 | 1.9 | 6.4 | 4.2 |
| Agriculture | -2.9 | -3.8 | -2.4 | 3.4 | 1.6 | 1.3 |
| Industry | 1.0 | -4.3 | -1.9 | 4.2 | 2.1 | 2.1 |
| Services | 4.5 | 2.9 | -18.3 | 1.1 | 8.3 | 5.2 |
| **Inflation (Consumer Price Index)** | 0.3 | 0.2 | 0.1 | 1.0 | 2.0 | 2.0 |
| **Current Account Balance (% of GDP)** | -8.1 | -9.6 | -8.1 | -7.7 | -7.4 | -7.2 |
| **Net Foreign Direct Investment (% of GDP)** | 6.3 | 5.3 | 3.2 | 3.3 | 3.8 | 4.1 |
| **Fiscal Balance (% of GDP)[a]** | -1.1 | -4.7 | -10.9 | -10.9 | -7.3 | -5.1 |
| **Debt (% of GDP)[a]** | 95.9 | 97.3 | 125.4 | 132.4 | 129.7 | 127.5 |
| **Primary Balance (% of GDP)[a]** | 2.2 | -1.4 | -8.3 | -6.4 | -3.1 | -0.9 |

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate. f = forecast.
(a) Fiscal balances are reported in fiscal years (April 1st -March 31st).