BELIZE

Table 1	2021
Population, million	0.4
GDP, current US$ billion	2.4
GDP per capita, current US$	5945.9
School enrollment, primary (% gross)[a]	107.7
Life expectancy at birth, years[a]	74.8
Total GHG emissions (mtCO2e)	7.0

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent WDI value (2020).

Belize is experiencing a tourism-led recovery after entering the COVID-19 pandemic with high public debt and external vulnerabilities. Tourism-related construction increased investment and tourist arrivals, reversing some of the increase in poverty and unemployment. Growth is forecast to moderate over the medium-term and poverty is not expected to return to pre-pandemic levels until the tourism sector fully recovers. External financing needs and public debt remain elevated. Policy priorities focus on continued debt-reduction reforms, improvements to the business climate and infrastructure, and protection of the vulnerable.

Key conditions and challenges

Tourism is the most important source of foreign exchange in Belize, followed by agricultural exports and, to a lesser extent, crude oil. Remittance inflows, which account for about 5 percent of GDP, is another major foreign exchange source that provides substantial support for consumption.

Real GDP per capita growth has been sluggish over the past decade, averaging -0.2 percent between 2009 and 2019. Inequality increased over the same period. A combination of inadequate fiscal policies and external shocks led to three debt restructurings between 2006 and 2021.

As a net importer of oil and gas, Belize is vulnerable to fluctuations in energy prices. Weak fiscal policies, high crime and violence, an unfriendly business climate, and an infrastructure deficit, lead to structurally high unemployment, a wide trade deficit, and a significant foreign debt burden. With a reserve cover under 5 months of imports, Belize is vulnerable to external shocks.

Official consumption poverty estimates from 2018 indicate that more than half of Belize's population (52 percent) is poor, 10 percent is extremely poor, and 10 percent is vulnerable. Women and Mayans are more likely to be self-employed and poor, indicating a structural difference in employment and poverty outcomes.

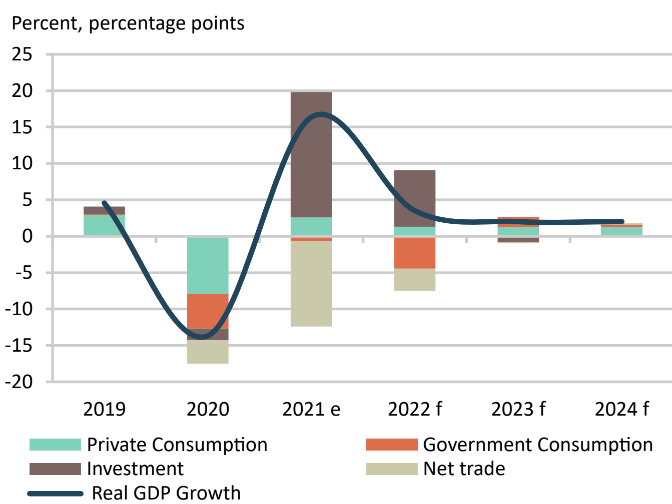
The social impact of the COVID-19 pandemic has been severe as a result of a reduction in tourism activity, as well as the indirect effects of containment and mitigation measures on manufacturing. A World Bank phone survey (HFPS) indicated that at the end of 2021, almost 40 percent of households continued to report lower incomes. School participation, already low compared to other countries in the region, was significantly affected. Belize was among the five countries in the region with the most intense closure of schools.

The EU Economic and Financial Affairs Council (ECOFIN) removed Belize from the EU grey list of non-cooperative tax jurisdictions; however, gaps in financial sector supervision remain. The government will continue to make incremental progress toward moving the country beyond minimum compliance with the Caribbean Financial Action Task Force oversight requirements.

Recent developments

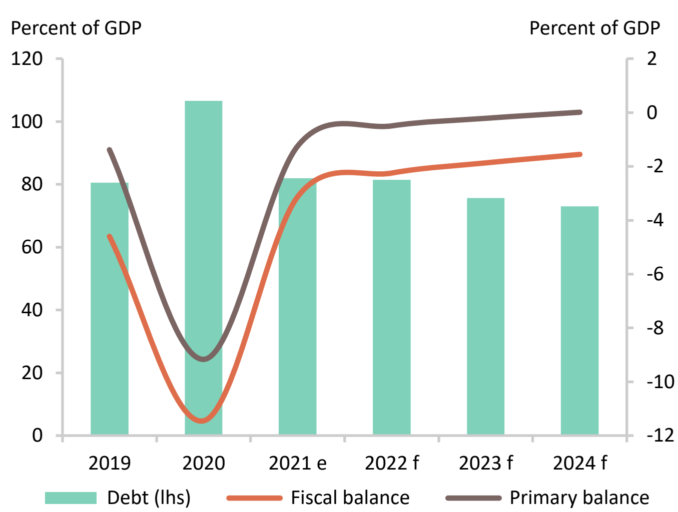
Belize's real GDP registered a 16.3 percent increase in 2021 fueled by a resumption in tourism and tourism-related investments. This was among the region's fastest growth rates, as Belize was one of the first tourist destinations to reopen to tourists in October 2020, and construction projects proceeded as planned. As such, overnight arrivals increased 51.9 percent in 2021 compared to 2020. Private investment projects include Stake Bank Island's offshore Port Coral cruise terminal and a port upgrade in Belize City to encourage cruise ship visits.

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.

Rising global commodity prices, supply-chain bottlenecks, and Belize's economic recovery all contributed to an increase in inflation, averaging 3.3 percent in 2021 and 5.6 percent in the first half of 2022. The peg of the Belize dollar to the US dollar has helped contain greater increases in inflation. The most affected are the poor and vulnerable, who spend a higher percentage of their household income on food. By the end of 2021, more than 50 percent of households reported running out of food, according to the WB HFPS survey.

The current account deficit (CAD) slightly narrowed to 7.9 percent of GDP in 2021. Total exports increased due to higher tourism receipts and imports increased for capital spending on tourism projects and public construction. Tourism projects were fueled by foreign direct investment which rose by 1.8 percentage points to 6.3 percent of GDP. By the end of 2021, international reserves were up by 20.7 percent to US$420 million (four months of total imports).

Belize reduced the principal amount of its external indebtedness by approximately US$250 million (or 12 percent of GDP) in 2021 through an innovative financial transaction with funding provided by The Nature Conservancy (TNC). This debt for climate swap was complemented by a major fiscal consolidation, sustained by a recovery of revenues and cuts in capital spending, transfer payments, and wages. These measures reduced the overall deficit from 11.5 percent of GDP to 3.1 percent of GDP, lowering debt by 24.6 percentage points to 82 percent of GDP in 2021. Despite these efforts, debt service costs remain high.

The unemployment rate was 9.2 percent in the fall of 2021, following a y-o-y decline of about 4.5 percentage points. Labor force participation also recovered 6.8 percentage points in 2021 since 2020. However, the post-pandemic recovery in labor market outcomes continues to be stronger for men than for women. The gender gap in labor force participation is almost 30 points, one of the largest in the Caribbean.

The recovery has been driven by lower-quality jobs, as signaled by the increase in informality and underemployment with respect to pre-pandemic times. Wages among underemployed workers are 30 percent lower. Much of the recovery in labor market outcomes is driven by the tourism, real estate, wholesale and retail sectors, and call centers.

Outlook

The Belizean economy is expected to grow by 3.5 percent in 2022, owing to an increase in tourism and tourism-related infrastructure projects. Following that, real GDP is expected to slow to 2 percent in 2023-24 as the government continues to reduce government spending and private investment slows as planned projects are completed.

Inflation is projected to average 6.3 percent in 2022, the highest level since 2008. However, commodity prices are expected to normalize and inflation to fall to 3 percent in the medium term. The rebounds in economic activity and employment are expected to lead to a decrease in poverty over the medium term. Labor market outcomes, and thus poverty rates, are not expected to return to pre-pandemic levels until the tourism sector fully recovers.

The CAD is projected to widen sharply to 15.4 percent of GDP as the rise in fuel prices increases the cost of imports, and as remittance inflows slow down. The CAD is forecast to improve to 9.1 percent of GDP as fuel prices stabilize over the medium-term, financed by private inflows, donations, and multilateral lending.

The fiscal deficit is expected to narrow and average 1.9 percent of GDP during 2022-24 as tax collections increase due to increased tourism and the government cuts back on spending. This will bring the public debt down to 73 percent of GDP by 2024.

Debt dynamics remain vulnerable to shocks to growth, interest rates, and the fiscal position, including natural disasters and climate change. Tighter monetary policy in the US, as well as fiscal constraints on government consumption and public investment in Belize, could prevent faster GDP growth. Other downside risks to growth include exposure to extreme climate-related shocks and social tensions.

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

	2019	2020	2021	2022e	2023f	2024f
Real GDP growth, at constant market prices	4.5	-13.7	16.3	3.5	2.0	2.0
Private Consumption	4.7	-12.7	4.1	2.3	2.3	2.2
Government Consumption	0.5	-25.0	-4.1	-20.7	13.2	2.4
Gross Fixed Capital Investment	6.4	-9.6	95.6	20.1	-2.0	-0.1
Exports, Goods and Services	5.2	-29.7	3.7	5.0	3.6	3.4
Imports, Goods and Services	5.3	-23.0	27.0	9.2	2.9	2.0
Real GDP growth, at constant factor prices	4.4	-13.1	16.0	3.5	2.0	2.0
Agriculture	-3.5	1.8	15.8	-2.9	2.1	2.0
Industry	5.7	-2.9	10.0	3.1	-2.2	-0.4
Services	5.3	-17.4	17.6	4.6	3.0	2.6
Inflation (Consumer Price Index)	0.2	0.1	3.3	6.3	3.7	2.2
Current Account Balance (% of GDP)	-9.5	-8.0	-7.9	-15.4	-9.3	-8.9
Net Foreign Direct Investment Inflow (% of GDP)	4.7	4.5	6.3	4.8	4.9	4.9
Fiscal Balance (% of GDP)[a]	-4.6	-11.5	-3.1	-2.2	-1.9	-1.6
Debt (% of GDP)[a]	80.5	106.6	82.0	81.5	75.7	73.0
Primary Balance (% of GDP)[a]	-1.4	-9.2	-1.2	-0.4	-0.2	0.0
GHG emissions growth (mtCO2e)	1.6	1.0	0.6	0.3	0.3	0.4
Energy related GHG emissions (% of total)	9.3	10.0	10.6	11.2	11.9	12.5

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