Belize

The coronavirus disease (COVID-19) pandemic has led to the largest contraction in Belize in recent decades. The economy is projected to contract by 15.5% in 2020, owing to substantial declines in tourism, manufacturing and distribution combined with a previously expected decline in agriculture. Job losses in tourism, commerce, distribution and other sectors have led to higher unemployment in 2020, which will carry over into 2021. Inflation rose to 0.3% up to September 2020, reflecting higher food, health and housing costs. The fiscal deficit expanded from 3.4% of GDP in the first quarter of 2019 to 11.0% of GDP for the same period of 2020, because of a sharp fall in revenues, partly owing to the pandemic. The balance of payments current account deficit widened from 1.4% of GDP in the first half of 2019 to 2.0% of GDP in the first half of 2020, mainly as a result of a sharp decline in receipts in the tourism sector, which was almost entirely shut down because of the pandemic.

Economic policy in 2020 has been driven by measures to contain the spread and economic fallout from the pandemic. The government has implemented an unemployment relief programme and a programme to support micro-, small and medium-sized enterprises (MSMEs). The unemployment relief programme provides 150 Belize dollars (BZ$) every 2 weeks for 12 weeks for persons who have been laid off owing to the pandemic. The MSME support programme provides BZ$ 2.5 million in grants, with a fixed sum of BZ$ 2,500 for each micro-enterprise, along with BZ$ 7.0 million in wage subsidies for employee retention during the pandemic.

The fiscal deficit expanded significantly to 11.0% of GDP in the first quarter of 2020, compared to 3.4% of GDP in the same period of 2019. This mainly stemmed from an 18.2% contraction in total revenue, owing to a sharp fall in tax and non-tax receipts, as the government provided tax relief to businesses to cope with COVID-19.

Nevertheless, total spending declined marginally by 0.4% year-on-year in nominal terms in the first quarter, as current spending rose marginally (3%) owing to the government containing its spending on goods and services and postponing interest payments on its 2034 bond. However, this was partly largely offset by an increase in capital spending (41%), primarily owing to outlays on infrastructure projects. The government has earmarked BZ$ 25.1 million for pandemic relief for households and support to businesses. As a result of the trends in spending and revenue, public sector debt expanded rapidly to 132% of GDP by the end of September 2020.

Monetary policy was expansionary in 2020. To support activity during the pandemic, the central bank reduced the statutory and cash reserve requirements for commercial banks by 2 percentage points to 21.0% and 6.5%, respectively, to boost lending. This stimulated growth in domestic credit, which was 4.1% higher year-on-year in September 2020, as opposed to a decline of 1.4% in the same period of 2019. Credit to the public sector grew by 4.5%, as the government stepped up foreign borrowing to cope with the pandemic, while credit to the private sector rose by 3.9%, as enterprises borrowed to maintain business continuity during COVID-19. The broad money supply is forecast to expand by 10 percentage points to 111.9% of GDP in 2020. This is mainly a result of strong growth in currency holdings, as citizens have increased their cash holdings to cushion the loss of income from layoffs and to cope with uncertainty arising from the pandemic. As a result, currency with the public is set to increase by 20.3% in nominal terms to 13.3% of GDP in 2020, from 11.1% of GDP in 2019. The weighted average interest

rate spread is expected to narrow to 6.46% in 2020 from 6.98% in 2019, owing to a 0.26 percentage point fall in the average loan rate and a 0.25 percentage point increase in the average deposit rate.

The external position worsened in the first half of 2020, with the current account deficit widening to 4.1% of GDP year-on-year, from 2.7% of GDP for the same period of 2019. Contributing to this was a sharp 31.3% contraction in the services account surplus, stemming from a 43.3% decline in receipts in the tourism sector, which was almost entirely shut down because of COVID-19. The goods deficit narrowed by 9.0%, as the fall in exports was offset by a sharp decline in the value of imports owing to lower oil prices. The income account deficit improved owing to lower repatriation of earnings by foreign investors. The capital and financial account surplus, including errors and omissions, contracted by 15.4%. This mainly reflected a 42.5% fall in foreign direct investment (FDI) inflows, linked to lower investment in tourism-related and real estate projects. The government's position was bolstered by US$ 30.7 million in external borrowing to fund capital projects and the COVID-19 response. In September 2020, international reserves stood at US$ 332.3 million, covering 4.5 months of imports.

Economic activity plummeted in 2020, owing to the pervasive impact of the COVID-19 pandemic. The economy is projected to contract by 15.5%, reflecting declines in the primary, secondary and service sectors. Service sector activity in particular is set to fall by 18.2%, owing to a 71.1% contraction in the tourism sector, which was almost entirely shut down because of the pandemic. Stayover visitors and cruise passenger arrivals are forecast to drop by 71% and 70%, respectively, owing to border closures and a reluctance to travel. Partly because of the spillover from tourism, the wholesale and retail trade is expected to decline by 20%. Real output in manufacturing is projected to fall 21% owing to lower production of sugar, citrus juices and flour. The agriculture and forestry sector is set to contract by 4.6%, reflecting a fall in sugar cane and citrus output and reduced livestock production, only partly offset by higher banana and corn output. Inflation is forecast to be 0.3% in 2020, up from -0.1% in 2019, propelled by higher food, health and housing costs. Unemployment is expected to increase significantly above the 10.4% recorded in 2019, fuelled by job losses in sectors such as tourism, and distribution.

The economy is projected to recover in 2021, with GDP growth of 7.5%. This is expected to be driven by growth in a number of sectors, including a recovery in tourism, as the sector reopens for visitors, with containment of the pandemic through therapeutics or vaccines. Agriculture is also expected to bounce back, bolstered by higher value added in crops and livestock production. Lastly, manufacturing is forecast to grow, underpinned by a recovery in output in the food and beverage and electricity and water subsectors.