Belize

Conditions in the Belizean economy improved in 2021: after contracting by 14.0% in 2020, the economy grew by 3.8%, partially reversing the major slump in activity. The recovery reflected an uptick in activity in key sectors, including agriculture, construction, manufacturing and tourism. Unemployment is expected to have declined with the pick-up in activity, especially in tourism and construction. With the growth in demand, inflation rose to 2.5% in 2021 from 0.8% in 2020. The fiscal position improved significantly in 2021, with the fiscal deficit shrinking from 10.5% of GDP in 2020 to 4.0% in 2021. This stemmed from a sharp fall in spending, as the Government sought to contain increases in debt, reinforced by modest growth in revenues. The external position also improved, with the current account deficit narrowing from 7.5% of GDP in 2020 to 5.6% in 2021, mainly reflecting a recovery in tourism receipts with the partial reopening of the sector.

In 2021, broad economic policy was focused on restructuring public debt and nurturing economic recovery as the worst effects of the pandemic subsided. In September 2021, Belize was able to restructure its USD 552.9 million Superbond debt. Financing will be provided through blue bonds, and the country is expected to secure debt relief of USD 200 million. The fiscal stance was contractionary in 2021, with the deficit more than halving from 10.5% in 2020 to 4.0% in 2021, driven by a 13.3% fall in expenditure, with the Government reducing capital spending by 42.0%. Total revenue grew by 3.6%, buoyed by a modest improvement in tourism and other sectors, as the economy reopened. However, public sector debt increased from 126.1% of GDP in 2020 to 130.2% in 2021, with higher domestic and external debt ratios.

The country’s monetary stance remained neutral, with unchanged statutory liquid asset and cash reserve requirements. Nevertheless, in March 2021, the Central Bank of Belize (Amendment) Act increased the limit of direct advances to Central Government at any one time from 8.5% of the previous year’s recurrent revenues to 12.0%. Monetary developments were marked by a 9.2% expansion in the broad money supply in 2021, reflecting an increase in net foreign assets, owing to external debt payment deferrals, higher export receipts and apportionment of special drawing rights (SDRs) under the International Monetary Fund (IMF) Debt Service Suspension Initiative (DSSI). Growth in domestic credit slowed from 5.9% in 2020 to 0.4% in 2021, linked to slower growth in borrowing by the public sector as it sought to retrench debt, despite credit to the private sector growing by 2.6%.

The balance of payments current account deficit narrowed from 9.9% of GDP in 2020 to 5.6% of GDP in 2021, helped by a modest recovery in tourism with a partial reopening of the sector and higher remittances. Net services inflows expanded by 30.9% to USD 334.2 million. The services surplus was only partly offset by the trade deficit, which widened to 7.8% of GDP, as the rise of USD 116.8 million in exports was outpaced by growth of USD 151.3 million in imports. The surplus in the financial account contracted 20.5% to USD 134.5 million. Net foreign direct investment (FDI) increased by USD 112.7 million, buoyed by renewed investment in tourism and other sectors. International reserves declined from USD 392.5 million to USD 309.4 million, covering 2.9 months of imports.

The economy grew by 3.8% in 2021, but this was from a baseline of the severe 14.0% contraction in 2020. The recovery was underpinned by growth in the three main sectors. The primary sector expanded by 9.6%, bolstered by a substantial 26.0% increase in sugarcane deliveries, along with a pickup in banana production and marginal growth in fisheries output. The secondary sector grew by 2.7% on the back of higher manufacturing output, which was boosted by sugar, molasses and beverage
production and supported by a pickup in construction, much of which had been postponed during the height of the pandemic in 2020. The services sector recorded growth of 2.7%, reflecting in part a welcome recovery in tourism: high value-added stayover arrivals almost doubled, after the sharp decline in 2020. The hotels and restaurants subsector is projected to have grown by 60.9%, but this would be a recovery from a sharp decline and would not mark a return to pre-pandemic levels. Inflation increased from 0.1% in 2020 to 2.5% in 2021, propelled by higher domestic food and imported fuel prices, only partly dampened by lower costs of clothing and accommodation. Unemployment is expected to improve from the high rate of 13.7% in 2020, driven by a recovery in activity, especially in tourism and construction.

The economy is projected to grow by 6.2% in 2022 on the back of a firmer recovery in tourism and strong growth in the secondary sector. The services sector is expected to grow by 6.4%, buttressed by a 36.2% increase in stayover visitor arrivals and a strong recovery in cruise passenger arrivals. This will benefit the wholesale and retail trade and transport and communication sectors. Secondary activity will be buoyed by higher manufacturing output. As the Government continues its consolidation efforts, the overall fiscal deficit is expected to further narrow to 3.2% of GDP, reflecting a fall in expenditure from 32.1% of GDP in 2021 to 30.9% of GDP in 2022. This should outweigh a fall in revenue and grants from 29.1% of GDP to 27.7% of GDP. The balance of payments current account deficit is projected to widen from 5.6% of GDP in 2021 to 6.3% of GDP in 2022, reflecting a worsening trade balance, as imports pick up with growth in activity.