Belize

The economy continued to recover in 2022 as the effects of the pandemic waned and full reopening took place. Growth was projected at 9.5%, following a 15.2% rebound in 2021. Activity was buoyed by a firming of tourism demand, driven by a 74.1% increase in stay-over visitor arrivals to 37,000 and a doubling of cruise passenger arrivals to 590,000. This was supported by higher domestic demand for goods and services. The unemployment rate fell thanks to the strengthening of activity in tourism, distribution and commerce. The inflation rate rose to 7.0% from 3.2% in 2021, propelled by higher international fuel and food prices. The fiscal deficit widened from 0.1% of GDP in 2021 to 1.4% of GDP in 2022 as the ratio of revenue and grants to GDP declined, while expenditure increased marginally. Public sector debt declined to 71.1% of GDP, ameliorated by the debt conversion for marine conservation agreed with The Nature Conservancy and completed in late 2021. The balance-of-payments current account deficit narrowed from 6.7% of GDP to 6.0% of GDP because an improvement in the services balance, which was boosted by tourism receipts, offset a deterioration in the trade balance, influenced by higher fuel and food prices.

The broad focus of economic policy in 2022 was on supporting the recovery in economic activity while prudently managing the public finances to smooth the path to medium-term fiscal consolidation. Nevertheless, the country's fiscal stance was somewhat expansionary, with the deficit increasing from 0.1% of GDP in 2021 to 1.4% of GDP in 2022. This stemmed from a 1.2 percentage point decline in total revenues and grants to 21.5% of GDP, partly owing to a tax cut for diesel and petrol to give consumers relief from higher international fuel prices. Total expenditure rose by 0.1 percentage points to 23.5% of GDP, reflecting reinstatement of the 10% public sector wage cut from the previous year and higher capital expenditure to deal with the effects of Hurricane Lisa. Public sector debt contracted from 80.1% of GDP in 2021 to 64.1% of GDP in 2022 because of the debt swap and a discount on Venezuelan PetroCaribe debt.

The monetary stance remained neutral, with statutory liquid asset and cash reserve requirements kept unchanged. Monetary developments were marked by a slowdown in the growth of broad money from 12.3% in 2021 to 4.5% in 2022 as the expansion of the money supply moderated with slower growth in activity. Narrow money grew by 8.1%, reflecting similar growth in the holdings of currency and demand deposits, while quasi-money increased by 1.5%, with balanced growth in saving and time deposits. Domestic credit expanded by 2.9% in 2022, surpassing the 0.2% growth of 2021. With the government benefiting from debt relief, credit to the public sector contracted by 2.5%. This was partly offset by a 2.1% rise in credit to the private sector. Although the banking sector's capital adequacy levels continue to meet benchmarks, non-performing loans increased from 5% of total loans in 2021 to 7% in 2022, mainly owing to the lingering effects of the pandemic.

The balance-of-payments current account deficit narrowed from 6.7% of GDP in 2021 to 6.0% of GDP in 2022. The deficit increased in nominal terms but declined in relative terms owing to a higher rebased GDP. The higher nominal deficit stemmed from a 33.7% expansion in the trade deficit due to substantial growth in imports that outweighed the increase in exports. This was reinforced by a resumption of profit repatriation. Combined, these two effects outweighed the recovery in tourism receipts resulting from the rebound in the sector. The financial account surplus was projected to decline by US$ 358.9 million, reflecting the completion of debt restructuring, reduced asset holdings abroad by local banks and the fact that the one-off 2021 allocation of Special Drawing Rights (SDR) by IMF was not repeated. Foreign direct investment increased by 35.6% to US$ 171.4 million, bolstered by tourism-related investment in hotels and other facilities. International reserves expanded by 15.6% to US$ 479.9 million, covering 4.3 months of imports.

The economy grew by 9.5% in 2022, as compared to 15.2% in 2021, maintaining the recovery that had begun as the pandemic eased. Growth was driven by the continued recovery in tourism and domestic consumption. The tertiary sector was projected to expand by 13.9%, buoyed by an uptick in both stay-over and cruise tourism. Stay-over arrivals were projected to increase by 74.1% to 370,000, while cruise passenger arrivals more than doubled to 590,000. The recovery in tourism had positive spillover effects on transportation and wholesale and retail trade. Meanwhile, growth in the secondary sector moderated to 3.2% from 11.5% in 2021. The manufacturing sector was expected to grow by 5.3%, buttressed by higher beverage production, while construction was expected to be sluggish, with growth of 1.3%. Output in the primary sector was projected to increase by 0.9%, a significant fall-off from the 22.4% in 2021. Growth in the agriculture sector slowed significantly from 17.1% in 2021 to 2.2% in 2022, reflecting the impact of poor weather that affected sugar output and high input costs in banana production.

Economic growth is projected to moderate to 5.0% in 2023 on account of slower growth in tourist arrivals. The tourism sector is expected to expand by 4.0%, with arrivals increasing by 16.7%. This will have a dampening effect on the sharp growth in transportation and wholesale and retail trade that occurred in 2021. The secondary sector is projected to grow by 3.2% on the back of higher beverage and food production and a pickup in construction activity. The rate of inflation is expected to moderate to 3.0% as global fuel and food prices trend downward. The fiscal deficit is projected to increase marginally to 1.7% of GDP in 2023, partly owing to a slowdown in total revenue growth amidst a 5.3% increase in expenditure. Reflecting the effect of debt restructuring and fiscal prudence, public debt is expected to contract further to 67.8% of GDP in 2023. The balance-of-payments current account deficit is projected to widen to 7.7% of GDP as higher deficits in the merchandise and primary income accounts outweigh increased services and remittance inflows.