

## Belize

In 2019, the economy of Belize is projected to grow by 2.1%, a decline with respect to the 3.0% rate posted in 2018. After robust growth of 4% year-on-year in the first quarter of 2019—driven mostly by the primary and tertiary sectors, with growth rates of 10% and 4.6%, respectively—output growth slowed to 0.2% in the second quarter. The lacklustre second-quarter growth was due largely to 5.7% and 15.3% declines in the primary and secondary sectors, respectively, notwithstanding the 3.6% growth of the tertiary sector, which accounted for over 70% of total GDP in both quarters. This sector is reaping the benefits of the country's new marketing strategy in its thriving tourism industry, which has focused more on previously untapped opportunities in non-traditional source countries in South America, as well as an increased number of direct flights to Belize from major cities in Canada, Mexico and the United States. Overnight tourist arrivals were up by 6.3% and 5.4%, respectively, in the first two quarters of 2019 and the transport and communication category posted year-on-year expansions of 6.7% and 3.2%, respectively, in these two quarters.

Belize recorded a primary fiscal surplus of 82.3 million Belize dollars (BZ\$) (2.3% of GDP) and an overall fiscal deficit of BZ\$ 31.9 million (0.8% of GDP) in calendar year 2018, which was a major improvement from the primary fiscal surplus of BZ\$ 9.1 million (0.2% of GDP) and overall fiscal deficit of BZ\$ 103.4 million (2.8% of GDP) in calendar 2017. The projected primary budget surplus and overall fiscal deficit for fiscal year 2018/19<sup>1</sup> are 2.21% and -0.30%, respectively, thus bettering their respective targets of 2.12% and -0.73%. For fiscal year 2019/20, Belize is targeting a primary surplus of 2.12% of GDP and an overall budget deficit of 0.73% of GDP. In June 2019, the primary fiscal surplus stood at BZ\$ 21.3 million (1.4% of GDP) and the overall fiscal deficit amounted to BZ\$ 40.8 million (2.7% of GDP). That month, current revenues were up by 0.3%, but current expenditure showed a jump of 4.3% year-on-year. The grants component of total revenues decreased by a steep 77.3%, or BZ\$ 14.7 million, on the year-earlier period. High public debt remained a challenge, with the public debt-to-GDP ratio at 93.9% in 2018. By the end of August, Belize had paid US\$ 71.3 million in external debt, with 56.9% going towards interest payments.

The central bank has continued to pursue the consolidation of a sound, inclusive, modern and stable financial system. To preserve the stability of the banking system and safeguard the interests of depositors and other stakeholders, on 12 April 2019 the Central Bank of Belize revoked the licence of Atlantic International Bank Limited to operate as an international bank in the country owing to liquidity concerns and an ongoing investigation into fraud charges in the United States. This was the second revocation in a year, following the withdrawal of the licence of Choice Bank on 29 June 2018. In line with its commitments to financial stability and inclusion, Belize drafted and launched on 17 September

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<sup>1</sup> The fiscal year in Belize runs from 1 April to 31 March.

2019 its National Financial Inclusion Strategy 2019–2022, which aims to contribute to improving economic growth and enhance living standards across socioeconomic and demographic groups within the country.

Belize's persistent efforts to create an enabling business environment were rewarded with its removal on 8 November 2019 from the European Union's list of non-cooperative jurisdictions for tax purposes, following adjustments to its taxation system and measures to address other issues of concern to the European Union.

In August 2019, the broad money supply (M2) showed expansion of 4.4%, owing largely to a 21.4% increase in net domestic credit, to US\$ 11.06 million. Loans to the private sector and the central government were up by 21.3% and 14.9%, respectively. Lending rose, on average in year-on-year terms, in the categories of personal loans (34.9%), loans to the tourism industry (28.3%) and loans to the real estate sectors (8.4%), but decreased in the sectors of transport (-26.3%), building and construction (-18.2%), mining and exploration (-16.3%) and agriculture (-7.4%).

Market interest rates were relatively stable. Commercial banks made no major moves to alter the yield on the 3-month Treasury bill, which stood at 1.24% as of November 2019. In August 2019, the deposit rate stood at 1.20%, and the lending rate at 9.13%, both as weighted averages. The exchange rate remained stable during the year, in the context of the currency peg vis-à-vis the United States dollar, which has been in place since 1976 at the fixed rate of BZ\$ 2 to US\$ 1.

The current account deficit increased to 5.3% of GDP in June 2019, compared with 4.2% in June 2018, while the financial and capital account balance widened marginally from 2.7% to 2.8% in that period. Belize recorded an improvement in the balance of trade in goods and services, with the surplus rising to 4.1% of GDP in the first two quarters of 2019, from 2.6% in the prior-year period, largely owing to the booming tourism sector and a decline in the goods trade deficit. Moreover, while inflows of foreign direct investment (FDI) increased by 18.8% to US\$ 75.0 million, FDI outflows rose to US\$ 1.4 million during the first two quarters of 2019.

Inflation has been relatively subdued in Belize, with an annual rate of 0.2% in September 2019. The unemployment rate stood at 7.7% in April 2019, a 1.7-percentage-point decline relative to April 2018, with the rates for women and men falling from 14.9% and 5.6%, respectively, in 2018, to 11.2% and 5.2% in 2019. Notwithstanding the declines in both male and female unemployment rates in 2019, the rate was still twice as high for women as for men. The services sector was the largest employer (55.0% of the employed workforce) in 2019, followed by the primary sector (25.1%) and the secondary sector (19.4%).

**Belize: main economic indicators, 2017-2019**

|  | 2017                             | 2018  | 2019 <sup>a</sup> |
|--|----------------------------------|-------|-------------------|
|  | <b>Annual growth rate</b>        |       |                   |
| Gross domestic product                     | 1.4                              | 3.0   | 2.1               |
| Per capita gross domestic product          | -0.7                             | 0.9   | 0.1               |
| Consumer prices                            | 1.0                              | -0.1  | -0.7 <sup>b</sup> |
| Money (M1)                                 | -4.9                             | 6.5   | 4.5 <sup>b</sup>  |
|  | <b>Annual average percentage</b> |       |                   |
| Unemployment rate <sup>c</sup>             | 9.3                              | 9.4   | 9.1               |
| Central government                         |                                  |       |                   |
| Overall balance / GDP                      | -1.3                             | -0.3  | -0.7              |
| Nominal deposit rate <sup>d</sup>          | 1.2                              | 1.2   | 1.2 <sup>b</sup>  |
| Nominal lending rate <sup>e</sup>          | 9.5                              | 9.1   | 9.1 <sup>b</sup>  |
|  | <b>Millions of dollars</b>       |       |                   |
| Exports of goods and services              | 1 039                            | 1 077 | ...               |
| Imports of goods and services              | 1 087                            | 1 128 | ...               |
| Current account balance                    | -131                             | -155  | ...               |
| Capital and financial balance <sup>f</sup> | 64                               | 138   | ...               |
| Overall balance                            | -67                              | -17   | ...               |

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

a/ Estimates.

b/ Figures as of August.

c/ Includes hidden unemployment.

d/ Weighted average of deposit rates.

e/ Weighted average of lending rates.

f/ Includes errors and omissions.