IMF Executive Board Concludes 2023 Article IV Consultation with Belize

FOR IMMEDIATE RELEASE

Washington, DC – May 9, 2023: The Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation[1] with Belize.

Economic activity has rebounded strongly from the pandemic. After contracting by 13.4 percent in 2020, real GDP expanded by 15.2 percent in 2021 and 12.1 percent in 2022, led by retail and wholesale trade, tourism, and business process outsourcing. Real GDP growth is projected to slow to 2.4 percent in 2023 and 2 percent over the medium term as tourism returns to pre-pandemic levels. Inflation increased from near zero in 2020 to 3.2 percent in 2021 and 6.3 percent in 2022, led by higher global energy and food prices despite measures to fix domestic diesel and regular gasoline prices at the pump since April 2022. Inflation is projected to fall to 4.1 percent in 2023 and 1.2 percent over the medium term, in line with the projected fall in commodity prices and global inflation. Risks to the outlook remain tilted to the downside, including a sharp global slowdown, further increases in commodity prices, and climate-related disasters.

The fiscal position has strengthened significantly. Public debt declined from 101 percent of GDP in 2020 to 64 percent of GDP in 2022, driven by the debt for marine protection swap with The Nature Conservancy, a significant reduction in the fiscal deficit helped by expenditure restraint, strong growth, high inflation, and a discount in the Petrocaribe debt owed to Venezuela. The primary balance rose from –8.1 percent of GDP in FY2020 to 1.2 percent of GDP in FY2022 due to expenditure containment, including a temporary 10 percent cut in public sector wages and the suspension of wage increments in FY2021-22, and a strong recovery of revenue. In an unchanged policies scenario, the primary balance is projected to remain at 1.2 percent of GDP over the medium term, with public debt declining to 53 percent of GDP by 2028. Public debt is assessed as sustainable over the medium term, although with still high near-term risks.

Executive Board Assessment[2]

Executive Directors agreed with the thrust of the staff appraisal. They welcomed the strong recovery in economic activity and the sharp reduction in public debt over the last two years. Directors highlighted that growth and inflation are projected to moderate and risks are to the downside, including from a sharp slowdown in advanced economies, further increases in commodity prices, and climate related disasters. They underscored the importance of reforms to address constraints to long term growth and enhance resilience to shocks.

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

[2] At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.IMF.org/external/np/sec/misc/qualifiers.htm.

INTERNATIONAL MONETARY FUND

BELIZE

STAFF REPORT FOR THE 2023 ARTICLE IV CONSULTATION

April 18, 2023

KEY ISSUES

Outlook and Risks. Economic activity is projected to moderate after a strong recovery from the pandemic. After growing by 15 percent in 2021 and 12 percent in 2022, real GDP is projected to grow by 2.4 percent in 2023 and 2.0 percent over the medium term as spare capacity is exhausted. Revenue growth and fiscal consolidation have increased the primary balance to 1.2 percent of GDP from FY2022 onwards, which is projected to reduce public debt from 64 percent of GDP in 2022 to 53 percent in 2028. Risks to the outlook are tilted to the downside, including a sharp slowdown in advanced economies, further increases in commodity prices, and climate-related disasters.

Policy Advice. The key policy priorities include reducing public debt to a level that provides sufficient buffers, increasing expenditure in priority areas, implementing growth enhancing structural reforms, and building resilience to climate change. These policies would boost growth and make it more inclusive.

- *Fiscal Policy*. Reducing public debt to 50 percent of GDP by 2028 would provide sufficient buffers and keep it manageable relative to revenue. Reaching this debt target requires raising the primary balance to 2 percent of GDP from FY2025. Priority spending on infrastructure, targeted social programs, and crime prevention should also be increased. This and the additional fiscal consolidation should be financed with additional revenue and expenditure reprioritization.
- *Structural Reforms*. Boosting potential growth requires enhancing access to domestic credit, ensuring predictable access to FX to attract FDI, reducing crime, and adopting a disaster resilience strategy that strengthens structural, financial, and post-disaster resilience and is based on a multi-year macro-fiscal framework.
- *Monetary Policy*. Strengthening the sustainability of the currency peg requires implementing additional fiscal consolidation and growth-enhancing structural reforms, as well as limiting government financing by the Central Bank.
- *Financial Sector Policy*. Reducing NPLs and overseeing bank recapitalization is necessary to preserve financial stability and increase the supply of credit to boost economic growth. Improving the AML/CFT framework would help to strengthen correspondent banking relationships.

Approved By
Patricia Alonso-Gamo (WHD) and Andrea Schaechter (SPR)

Discussions took place in Belize City and Belmopan during February 2–14, 2023. The IMF team was comprised of: Jaime Guajardo (Head), Thomas Dowling, Shane Lowe, Rafael Machado Parente (all WHD) and Ke Chen (LEG). Ziana Ahmed and Philip Jennings (both OED) attended some meetings. The team met with Mr. Kareem Michael, Governor of the Central Bank of Belize; Mr. Christopher Coye, Minister of State, Mr. Joseph Waight, Financial Secretary; and other senior government officials, representatives of the opposition, private sector, and public sector unions. Siyao Chen and Sheng Tibung (WHD) contributed with excellent research assistance and administrative support.

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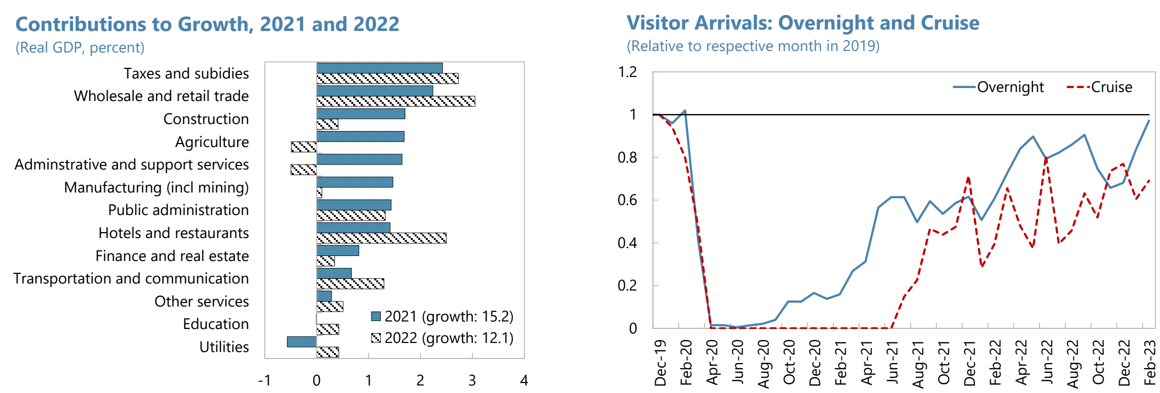
CONTEXT

1. **Economic activity has rebounded strongly from the pandemic**. The rebased national accounts show that after contracting by 13.4 percent in 2020, real GDP rebounded by 15.2 percent in 2021 and 12.1 percent in 2022, led by retail and wholesale trade, tourism, and business process outsourcing (Annex I). As a result, the unemployment rate declined from 13.7 percent in 2020 to 5.0 percent in 2022. Visitor arrivals reached 74 percent of pre-pandemic levels in 2022 as COVID-19 restrictions eased amid vaccination efforts in Belize and source markets. Vaccination rates in Belize have now plateaued, with 54 percent of the population fully vaccinated, almost a quarter of whom have received a booster. The authorities have removed COVID-19 related restrictions for entry into and movement within the country. Inflation increased from near zero in 2020 to 3.2 percent in 2021 and 6.3 percent in 2022, led by higher global food and fuel prices despite measures to fix domestic diesel and regular gasoline prices at the pump at relatively high levels since April 2022.[1]

Figure 1. Belize: Economic Growth and Visitor Arrivals



Sources: Statistical Institute of Belize and IMF staff calculations.

Sources: Belize Tourism Board and IMF staff calculations.

2. **The fiscal position has strengthened significantly after the pandemic in line with the strong recovery in economic activity**. The primary balance increased from –8.1 percent of GDP in FY2020 to zero in FY2021 and 1.2 percent of GDP in FY2022 due mostly to expenditure containment, including a temporary 10 percent cut in public sector wages and the suspension of wage increments in FY2021 and FY2022, and a recovery of revenue, which more than offset the 0.5 percent of GDP loss of revenue due to the fuel tax cuts implemented in April 2022 and the 0.5 percent of GDP one-off increase in public expenditure related to Hurricane Lisa.[2],[3]

3. **The public debt-to-GDP ratio has declined sharply**. The GDP rebasing led to a large fall in the public debt-to-GDP ratio in 2020, from 133 percent of the old GDP to 101 percent of the new

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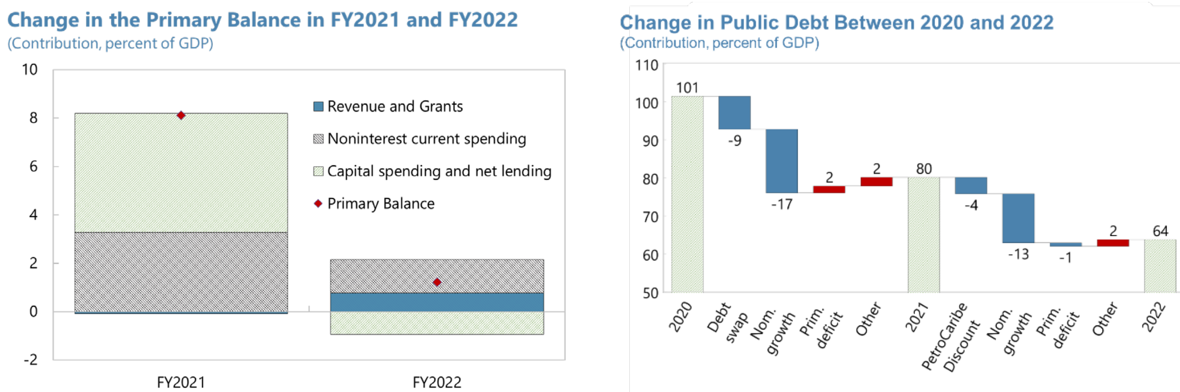
[1] The authorities cut taxes on diesel and regular gasoline to fix the prices at the pump since April 2022 to mitigate the impact of higher global fuel prices on the domestic economy.

[2] Belize's fiscal year runs from April 1st to March 31st.

[3] Hurricane Lisa made landfall on November 2, 2022, as a category one hurricane. The damage, which centered in Belize City, was insufficient to trigger payout from the Caribbean Catastrophe Risk Insurance Facility (CCRIF).

GDP. Public debt fell further to 64 percent of GDP in 2022 due to a debt for marine protection swap with The Nature Conservancy, a significant narrowing of the primary fiscal deficit, strong growth, high inflation, and a 4.3 percent of GDP discount on the Petrocaribe debt owed to Venezuela,.[4]

Figure 2. Belize: Fiscal Adjustment and Debt Reduction



Sources: Central Bank of Belize, and IMF staff estimates.

Sources: Central Bank of Belize, and IMF staff estimates.

4. **The policies implemented by the authorities have been broadly aligned with staff advice and technical assistance provided by CARTAC and the IMF** (Annexes II and III). The authorities have contained expenditure and increased the primary balance but have not broadened the tax based significantly. They passed the credit reporting act and are establishing a credit bureau and collateral registry. They are also promoting the formalization of MSMEs by introducing an electronic invoicing module and updating the Fiscal Incentives Act. The Central Bank has placed some banks under enhanced supervision to help them repair their balance sheets, while the national ML/TF risk assessment is being updated. These efforts have been supported with technical assistance from CARTAC and the IMF on the areas of tax policy, revenue administration, public financial management, financial sector regulation and supervision, and statistics.

RECENT DEVELOPMENTS AND OUTLOOK

5. **Real GDP growth and inflation are projected to moderate starting in 2023**. Real GDP growth is projected at 2.4 percent in 2023 and 2 percent over the medium term as tourism returns to pre-pandemic levels and the business process outsourcing sector matures. The output gap is projected to close in 2023. Inflation is projected to moderate to 4.1 percent in 2023 and 1.2 percent over the medium term, in line with the projected decline in commodity prices and global inflation (Annex IV and 2023 Selected Issues Paper, Chapter 1).

6. **The primary balance is projected to remain in surplus over the medium term**. In an unchanged policies scenario, the primary balance is projected to remain at 1.2 percent of GDP in FY2023, above the 0.4 percent of GDP projected by the authorities reflecting staff's cautious forecast

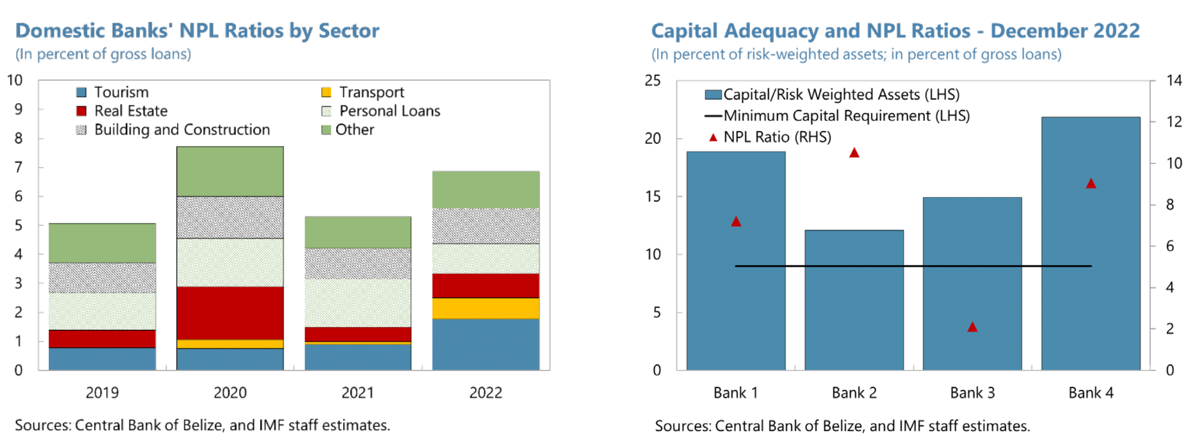
[4] In December 2022, the authorities of Belize and Venezuela agreed to reduce Belize's Petrocaribe debt by between US$129 million and US$164 million. Staff uses the lower bound of this range in its macroeconomic framework.

on an unchanged revenue, including grants, ratio to GDP compared to the authorities' even more cautious revenue assumption. The primary balance is projected to remain at 1.2 percent of GDP over the medium term, with public debt falling to 53 percent of GDP by 2028. This level of public debt is assessed as sustainable, although with still high near-term risks (Annex V).

7. **The current account deficit is projected to moderate and remain fully financed by foreign direct investment (FDI) and official loans**. The current account deficit is estimated to have widened to 8.5 percent of GDP in 2022 due to higher imports, larger profit repatriation, and lower remittances, partly offset by higher tourism receipts. Going forward, the current account deficit is projected to fall gradually as commodity prices decline and tourism continues to recover, remaining fully financed by FDI and multilateral and bilateral loans. As a result, international reserves are projected to remain above 3 months of imports during 2023-28.

8. **Risks to financial stability remain elevated due to legacies from the pandemic.** The domestic banks' regulatory capital—at 16.6 percent of risk weighted assets in 2022—is higher than the 9 percent minimum requirement but lower than before the pandemic. Nonperforming loans (NPLs) increased from 5 percent of gross loans in 2021 to 7 percent in 2022 as the COVID-19 forbearance measures expired, but banks more exposed to the sectors most affected by the pandemic have experienced larger increases in NPLs. Growth in private sector credit, at 4.5 percent in 2022, remains constrained by low supply as banks repair their balance sheets and weak demand due to spare capacity in the economy. Continued weak private sector credit growth will likely constrain real GDP growth once spare capacity in the economy is exhausted.

Figure 3. Belize: Domestic Banks' NPL Ratios, Asset Quality, and Capital Adequacy



RISKS

9. **Risks to the outlook remain tilted to the downside.** While the risk of an intensification of the pandemic has receded, other risks have become more prominent, including a sharp slowdown in advanced economies and climate-related disasters, which could weaken the recovery of tourism (Annex VI). Further increases in food and fuel prices due to Russia's invasion of Ukraine could

exacerbate imported inflation, widen the current account deficit, and reduce international reserves. A slowdown in domestic economic activity could also exacerbate existing vulnerabilities in the banking sector. The tightening of global financial conditions, including from the global banking turmoil, is not expected to impact Belize significantly, as the country does not borrow from private external creditors and the central bank has the appropriate tools to manage capital outflows.

Authorities' Views

10. The authorities broadly agreed with the views on the outlook and risks. They noted the strong economic recovery in 2021-22, led by the rebound in tourism and strong growth in business process outsourcing, with real GDP already above its pre-pandemic level by a sizable margin. The authorities expect growth to slow starting in 2023, but are more optimistic about the medium-term outlook, with average growth projected at 2.7 percent during 2023-27. They also expect the current account deficit to narrow more sharply over the medium-term due to a more positive outlook for tourism. The authorities noted that public debt is now on a more sustainable path and are confident that it will continue to decline over time as the primary balance is projected to stay in surplus. The FY2023 budget projects a primary surplus of 0.4 percent of GDP in FY2023, lower than staff's projections due to conservative revenue projections, and surpluses of around 1.2 percent of GDP in FY2024-25. The authorities agree with the assessment of risks to the outlook and highlighted the risks to inflation and the fiscal balance should downside risks materialize.

POLICY DISCUSSIONS

Belize's key policy priorities include reducing public debt to below 50 percent of GDP by FY2028, which requires gradually increasing the primary balance to 2 percent of GDP; raising priority expenditure on infrastructure, targeted social programs, and crime prevention, financed with additional revenues and expenditure reprioritization; implementing structural reforms to boost growth and make it more inclusive and resilient to natural disasters; and remaining vigilant to financial stability risks.

A. Fiscal Policy

11. The authorities should leverage the large reduction in public debt achieved in the last two years and target a level of public debt that provides sufficient buffers. With unchanged policies, public debt is projected to fall to 53 percent of GDP by 2028, a level assessed as sustainable but with insufficient buffers to respond to adverse shocks. Reducing debt below 50 percent of GDP by 2028 would provide sufficient buffers, staying below the 70 percent of GDP threshold for sustainability over a five-year horizon with 95 percent probability based on past shocks. This debt target would also ensure that the debt-to-revenue ratio remains manageable at around 200 percent; it would provide sufficient buffers for more frequent and severe climate related disasters; and it would increase the level of international reserves and strengthen the currency peg. Achieving the debt target requires gradually raising the primary balance to 2 percent of GDP by FY2025 by preserving the fiscal savings achieved in FY2021-22 and implementing additional fiscal consolidation of 0.8 percent of GDP over three years (Text Table 1). Anchoring this plan in a medium-term fiscal strategy with clear targets and specific measures while preparing the groundwork for the adoption of a Fiscal Responsibility Law (FRL) with specific fiscal rules would enhance its credibility.

12. Belize can increase fiscal space significantly with revenue and expenditure measures. Belize has ample space to mobilize revenues by broadening the tax base, increasing excise taxes, and strengthening revenue administration. On expenditure, reforming the Pension Plan for Public Officials (PPPO) could free resources, depending on the depth of the reforms. In particular,

- Tax and revenue administration measures could raise 2.2 percent of GDP in additional revenue by FY2025. The General Sales Tax (GST) has many items taxed at a zero rate, including processed foods, non-prescription drugs, utilities, appliances, household items, government purchases, and business inputs. Taxing some zero-rated items at the standard 12.5 percent GST rate could raise 1.6 percent of GDP in revenue. Standardizing personal income tax exemption thresholds could raise another 0.2 percent of GDP. Following the fuel tax cuts adopted in FY2022 to fix fuel prices at the pump and given the recent decline in global fuel prices, the authorities should consider allowing domestic fuel prices move in line with global prices, while raising excise taxes on fuel above pre-pandemic levels to recoup the revenue lost and discourage the use of fossil fuels, and expanding targeted social measures to protect the most vulnerable. This, plus higher fees on vehicle registrations and driver licenses, could raise 0.2 percent of GDP in revenue. Strengthening customs and tax administration further, including by improving the efficiency and autonomy of the Belize Tax Service Department (BTSD) and facilitating information exchange between the BTSD and the Belize Customs and Excise Department, could raise another 0.2 percent of GDP in revenue.

- Reforming the PPPO could reduce government spending by 0.1 percent of GDP over three years and by much more in the long term (Annex VII and 2023 Selected Issues Paper, Chapter 2). The PPPO is a non-contributory defined-benefits pension system with a low retirement age and generous benefits. The PPPO deficit totaled 1.1 percent of GDP in FY2022 and is projected at 4.1 percent of GDP by 2072, with the present value of the cumulated deficits during 2023-72 estimated at 77.3 percent of GDP. Introducing and gradually increasing the contribution rate to 10 percent, raising the retirement age from 55 to 65, and reducing the replacement rate from 67.5 percent to 50 percent, would lower the PPPO's long-run deficit by two-thirds. The sooner these reforms are implemented, the more gradual and less disruptive they can be.

13. Besides raising the primary balance, the extra fiscal space should be used to expand spending on infrastructure, targeted social programs, and crime prevention. Vasilyev (2019) finds that infrastructure gaps and crime are two key constraints to growth.[5] In addition, the poverty rate in Belize remains high at 35.7 percent according to the 2022 Census. Increasing spending on infrastructure, targeted social programs, and crime prevention would boost growth and make it more inclusive and resilient to climate change and related disasters. Increasing infrastructure investment by 0.8 percent of GDP from FY2025 onwards would help enhance road connectivity,

[5] https://www.imf.org/en/Publications/WP/Issues/2019/02/04/Reinvigorating-Growth-in-Belize-46496

expand airport capacity, improve water and sewer systems, invest in renewable energy, and make infrastructure more resistant to storms and raising sea levels. Increasing targeted social spending by 0.5 percent of GDP from FY2025 onwards would allow strengthening the social safety net to protect vulnerable households against adverse shocks, including higher food and fuel prices; expanding conditional cash transfer programs such as BOOST, which support poor families and ensure that children attend school; and subsidizing childcare to raise female labor force participation, which stood at 44 percent in October 2022, well below the 73 percent of males. These benefits can be appropriately targeted with the updated data on the vulnerable segments of the population from the 2022 Census. Increasing spending on crime prevention by 0.2 percent of GDP from FY2025 onwards would help strengthen law enforcement, enhance the use of technology to prevent and address crime, and expand the programs that support the youth at risk.

Text Table 1. Belize: Recommended Fiscal Consolidation Measures
(In percent of GDP, Deviations from the Unchanged Policies Scenario)

	Annual Yields			Cumulative Yields		
	FY2023	FY2024	FY2025	FY2023	FY2024	FY2025
Expenditure measures	**0.04**	**-0.71**	**-0.71**	**0.04**	**-0.67**	**-1.38**
Public pensions /1	0.04	0.04	0.04	0.04	0.08	0.12
Infrastructure investment		-0.40	-0.40	0.00	-0.40	-0.80
Social expenditure 2/		-0.25	-0.25	0.00	-0.25	-0.50
Crime prevention 3/		-0.10	-0.10	0.00	-0.10	-0.20
Revenue Measures	**0.00**	**1.10**	**1.10**	**0.00**	**1.10**	**2.20**
Personal income taxes (PIT)		0.10	0.10	0.00	0.10	0.20
Taxes on goods and services		0.90	0.90	0.00	0.90	1.80
Gross sales tax (GST)		0.80	0.80	0.00	0.80	1.60
Excises and fees		0.10	0.10	0.00	0.10	0.20
Revenue administration		0.10	0.10	0.00	0.10	0.20
Total Fiscal Consolidation	**0.04**	**0.39**	**0.39**	**0.04**	**0.43**	**0.82**
Memorandum items						
Primary balance (baseline scenario)				1.2	1.2	1.2
Primary balance (active scenario)				1.2	1.6	2.0

Source: IMF staff estimates.
1/ Savings from gradually reforming the pension plan for public officials.
2/ Expansion of targeted social programs such as BOOST and subsidized childcare.
3/ Expenditure on initiatives to strengthen low enforcement and support youth at risk.

14. The government should also prepare contingency plans. The materialization of adverse shocks could increase the fiscal deficit and public debt, while some fiscal consolidation measures discussed above may prove difficult to implement. In this context, it will be important to prepare contingency revenue and expenditure measures that could be implemented in case public debt does not decline as expected, including taxing a larger share of zero-rated items at the 12.5 percent GST rate, raising the GST rate, and reducing nonpriority expenditure.

15. Further improvements in Public Financial Management (PFM) systems and procedures are needed. Areas to strengthen include multi-year budget preparations, fiscal risk assessment, public investment management, coverage of government accounts, accounting and fiscal reporting, and internal audit. Progress in these areas would facilitate future adoption of fiscal rules to enhance the credibility of fiscal policy. Publishing procurement contracts and beneficial ownership information of awardees would also ensure transparency and accountability.

Authorities' Views

16. **The authorities broadly agreed with staff's recommendations on the debt target and the proposed fiscal measures.** They acknowledge that the reduction in public debt due to the GDP rebasing left the debt-to-revenue ratio unchanged and thus requires a lower target of public debt to GDP than recommended during the 2022 Article IV Consultation. They reiterated their commitment to continue reducing public debt and maintaining primary surpluses while increasing expenditure in infrastructure, targeted social programs, and crime prevention. They have already enhanced revenue administration by allocating more staff in Customs to combat fraud and creating a Tax Recovery Unit in the Belize Tax Services Department. Their plans focus on improving tax administration and widening the tax base, including by reducing the number of zero-rated items under the GST; passing a Fiscal Incentives Act to help bring micro, small and medium size enterprises into the formal sector; consolidating revenue collection within an autonomous and unified tax department; and introducing an electronic tax invoicing system and a single electronic window for Customs. Discussions are also underway to remove income thresholds for business taxes and the GST. The authorities are planning to increase the excise taxes on fuel to recoup the revenue lost in FY2022. They acknowledged that the PPPO deficit will grow as population ages and have started negotiations with the labor unions on possible reforms to the system. They are not planning to adopt a Fiscal Responsibility Law but would welcome staff's analytical work on appropriate fiscal rules to guide fiscal policy in Belize.

B. Structural Reforms and Climate Change

17. **Real GDP growth is projected to remain modest in the medium term without structural reforms**. Growth was modest in the decade before the pandemic, averaging 2.1 percent in 2010-19 and implying near zero real GDP per capita growth. Vasilyev (2019) identified several constraints to growth in Belize, including the high cost of finance, risks of fiscal and debt sustainability, deficiencies in human capital, crime, natural disasters, and infrastructure gaps. Many of these factors are still in place, which will likely constrain growth when the excess capacity in the economy is exhausted. Boosting medium term growth will require additional investment, including FDI.

18. **Enhancing access to credit and FX would boost domestic investment and FDI**. The authorities are adopting measures to ease the access to affordable credit for micro, small, and medium sized enterprises (MSMEs). They passed the Credit Reporting Act and are working on the establishment of the credit bureau and collateral registry. They are promoting the formalization of MSMEs by introducing an electronic invoicing module and updating the Fiscal Incentives Act. They are also helping MSMEs prepare business plans. Continuing these efforts and ensuring effective implementation would enhance access to domestic credit and boost investment. As FX earnings return to pre-pandemic levels, more predictable access to FX going forward would boost FDI and reduce uncertainty for foreign firms about their ability to repatriate profits.

19. **Building resilience to climate change and related disasters would reduce volatility and boost growth**. Belize is highly vulnerable to climate change and related disasters, including floods, droughts, hurricanes, sea level rise, coral bleaching, and coastal erosion. Investments in

(i) infrastructure resilience to storm and sea level rise; (ii) an early warning system; and (iii) coastal and broad ecosystem conservation would help to build resilience, especially in tourism, agriculture, and aquaculture. Access to financing from multilateral creditors, the Green Climate Fund, and The Conservation Fund for resilience building initiatives could be enhanced with the adoption of a Disaster Resilience Strategy (DRS) that focuses on improving structural, financial, and post-disaster resilience and is based on a consistent multi-year macro-fiscal framework. On mitigation, in line with the updated Nationally Determined Contribution, Belize plans reduce greenhouse gas emissions by protecting and restoring forests, mangroves, and seagrass ecosystems; expanding renewable energy generation; reducing the use of conventional transportation fuel; and enhancing energy efficiency. However, significant gaps remain in the financing of these initiatives.

20. Further improvements to the rule of law are needed to enhance business confidence. While Belize has improved on third-party indicators of rule of law, further efforts are needed to strengthen the technical capacity of the judiciary and promote greater access to relevant legislation and judicial decisions. Several digitalization projects are underway, including the land and business registries, the single investment window, and the digitalization of firms and government services. However, the ministerial discretion allowed in several business-related processes generates uncertainty for doing business and should be gradually replaced with a more predictable and rules-based system.

Authorities' Views

21. The authorities broadly shared the views on the constraints to growth and the need to raise its long run potential. They noted their efforts to formalize MSMEs through the provision of tax incentives and electronic invoicing, which should ease access to affordable credit. They also noted the increasing use of technology to prevent and address crime, and the need for additional funding for law enforcement and programs to support the youth at risk. The authorities highlighted their initiatives to reduce poverty and enhance female labor force participation, including efforts to improve the quality of education and raise the mandatory schooling age, provide housing for the most vulnerable, and develop a pilot program for subsidized childcare in the BPO sector. They have a pipeline of infrastructure projects, including for water, sewer, road connectivity, and renewable energy, for which they are seeking external financing and plan to use Public Private Partnerships. They are also seeking financing for climate adaptation and mitigation from donors, multilateral creditors, and the Green Climate Fund. The government is undertaking reforms to improve governance and reduce ministerial discretion in business processes.

C. Monetary and Financial Policies

22. Belize's external position in 2022 is assessed as moderately weaker than warranted by fundamentals and desirable policies. The EBA-lite current account model estimates the current account norm at –7.1 percent of GDP while the cyclically adjusted current account is –8.2 percent of GDP, implying a gap of –1.2 percent of GDP (Annex VIII). International reserves are projected to remain above three months of imports and short-term external debt, but below the ARA metric.[6] In the absence of exchange rate flexibility, reducing the current account deficit and strengthening the level of reserves requires implementing additional fiscal consolidation and growth-enhancing structural reforms, as well as limiting government financing by the Central Bank.

23. The Central Bank must remain vigilant about risks in the financial sector and continue strengthening the AML/CFT supervision of banks. The Central Bank's process for strengthening the domestic banks' balance sheets and resolving problem loans after the pandemic has been well executed, with some banks placed under enhanced supervision. However, banks remain vulnerable to shocks and some institutions may require recapitalization in 2023 if the quality of their loan portfolios continues to deteriorate. The Central Bank has sufficient tools should it need to intervene, including the provision of liquidity, imposing limits on the distribution of dividends, and an appropriate bank resolution framework as outlined in the Domestic Banks and Financial Institutions Act. However, the Central Bank expects that the banks' owners will inject the needed capital as they have done in the past. Low capital and elevated NPLs could keep the growth in private sector credit subdued, with potential adverse feedback loops between economic activity and financial stability. The Central Bank has developed guidelines for imposing penalties for non-compliance with AML/CFT requirements and is considering issuing a penalty. These efforts are welcome and should be taken forward by testing the guidelines and updating them as necessary to ensure proportionate and dissuasive sanctions for violations of AML/CFT requirements.

24. The authorities must continue strengthening the AML/CFT framework and implementation, especially in the international financial services (IFS) sector, ahead of the mutual evaluation by the Caribbean Financial Action Task Force in November 2023. The authorities expect to complete the update of the national assessment of money laundering and terrorism financing (ML/TF) risks and the action plan to strengthen the AML/CFT framework in the coming months. They should use this opportunity to gain a better understanding of the ML/TF risks in the IFS sector to inform policies. The enactment of the new Companies Act (which covers both domestic and international corporations) and the development of an online business registry are positive steps but more needs to be done to enhance the transparency of beneficial ownership (BO) of legal entities and trusts. The authorities should ensure that all registered agents (who hold BO information of international corporations) have a physical presence and keep the BO records in Belize and are subject to adequate AML/CFT supervision.[7] This will require additional Financial Services Commission's supervisory resources. The authorities are encouraged to require BO information to be filed with the registry by agents or corporations to facilitate access to that information by competent authorities. Regarding virtual assets, the authorities have prepared a bill that proposes to prohibit virtual asset services until the end of 2025.

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[6] The high ARA metric for Belize reflects the high level of other liabilities (long-term external debt) and broad money, which measure the risk of capital outflows from nonresidents and residents, respectively.ever, these risks are not significant for Belize as most external debt is with multilateral and bilateral creditors, which reduces the risk of capital outflows by nonresidents, and the central bank has appropriate tools to limit capital outflows by residents.

[7] Physical presence of office and certain mind and management elements of international corporations in Belize is required under the Economic Substance Law enacted in 2019. The grace period for registered agents to comply with the law expired in June 2022, and some of them are yet to become compliant.

Authorities' Views

25. The authorities broadly agree with the assessment of monetary and financial sector issues. They remain committed to the currency peg, which has served the country well, and agree that additional fiscal consolidation and growth-enhancing structural reforms are necessary to strengthen international reserve buffers. They see scope to increase exports and reduce imports by increasing the domestic production of processed foods and further expanding the tourism industry. The authorities noted the need to continue improving the asset quality of domestic banks and credit unions and stressed that the central bank has the appropriate tools should it need to intervene.

D. Illustrative Reform Scenario

26. Implementing the recommended fiscal measures and structural reforms would reduce public debt to below 50 percent of GDP by 2028. The illustrative reform scenario presented Text Table 2 assumes an increase in the primary balance to 2 percent of GDP from FY2025 onwards and a rise in spending on infrastructure, targeted social programs, and crime prevention in line with the recommendations in Text Table 1. It also assumes the implementation of reforms to ease access to financing for MSMEs and build resilience to natural disasters, which together with the recommended fiscal measures increase growth by 0.25 percent in 2026 and 0.5 percent in 2027-28. As a result, public debt in 2028 falls from 53 percent in the baseline scenario to 49 percent in the illustrative reform scenario, in line with the target to reduce public debt to a level that provides sufficient buffers and is manageable in percent of revenues.

Text Table 2. Belize: Baseline and Illustrative Reform Scenario
(In percent of GDP unless otherwise noted)

	2020	2021	2022	2023	2024	2025	2026	2027	2028
Baseline Scenario: Current Policies									
Growth (percent)	-13.4	15.2	12.1	2.4	2.0	2.0	2.0	2.0	2.0
Overall fiscal balance (percent of GDP)	-9.7	-1.3	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.5
Primary fiscal balance (percent of GDP)	-8.1	0.0	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Public debt (percent of GDP)	101.4	80.1	63.7	60.4	58.4	56.9	55.7	54.6	53.4
Public sector GFN (percent of GDP)	15.4	9.9	6.1	4.5	4.3	3.7	3.1	3.3	3.4
Current account balance (percent of GDP)	-6.1	-6.3	-8.5	-8.0	-7.7	-7.6	-7.4	-7.2	-7.0
International reserves (percent of external GFN)	162.9	139.5	156.8	148.2	145.6	147.1	147.3	148.3	149.2
International reserves (months of imports)	3.4	3.3	3.7	3.6	3.6	3.5	3.4	3.4	3.3
Illustrative Reform Scenario: Fiscal Measures and Structural Reforms 1/									
Growth (percent)	-13.4	15.2	12.1	2.4	1.8	1.8	2.3	2.5	2.5
Overall fiscal balance (percent of GDP)	-9.7	-1.3	-0.6	-0.6	-0.2	0.2	0.3	0.3	0.4
Primary fiscal balance (percent of GDP)	-8.1	0.0	1.2	1.2	1.6	2.0	2.0	2.0	2.0
Public debt (percent of GDP)	101.4	80.1	63.7	60.3	58.0	55.9	53.7	51.5	49.2
Public sector GFN (percent of GDP)	15.4	9.9	6.1	4.5	3.9	2.8	2.3	2.5	2.6
Current account balance (percent of GDP)	-6.1	-6.3	-8.5	-7.9	-7.5	-7.1	-6.9	-6.7	-6.5
International reserves (percent of external GFN)	162.9	139.5	156.8	148.5	150.1	156.0	158.4	159.6	160.6
International reserves (months of imports)	3.4	3.3	3.7	3.6	3.7	3.8	3.8	3.8	3.8

Source: IMF Staff estimates.

1/ The illustrative reform scenario assumes the implementation of 0.8 percent of GDP in fiscal consolidation over three years, which increases the primary balance to 2 percent of GDP in FY2025. It also assumes a fiscal multiplier of -0.5 in line with the estimates in Chapter 4 of the April 2018 Regional Economic Outlook: Western Hemisphere. This scenario also assumes an increase in expenditure in infrastructure, targeted social programs, and crime prevention, in line withy the recommendations in Text table 1. On the structural side, the scenario assumes the implementation of growth-enhancing structural reforms noted above, which together with the recommended fiscal measures increase real GDP growth by 0.25 percent in 2026 and 0.5 percent in 2027-28.

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27. Belize has experienced a strong recovery from the COVID-19 pandemic. After declining by 13.4 percent in 2020, real GDP rebounded by 15.2 percent in 2021 and 12.1 percent in 2022 led by the recovery of tourism activity and the expansion of the business processing outsourcing sector. Inflation increased from near zero in 2020 to 3.2 percent in 2021 and 6.3 percent in 2022 in line with the increase in global food and fuel prices and global inflation.

28. Debt sustainability has been restored through a combination of GDP rebasing, fiscal consolidation, debt operations, strong growth, and high inflation. The primary balance rose from –8.1 percent of GDP in FY2020 to 1.2 percent in FY2022 driven by a cyclical recovery of revenue and spending restraint, including a temporary 10 percent cut in public sector wages and the suspension of wage increments in FY2021 and FY2022. The GDP rebasing reduced the public debt-to-GDP ratio in 2020 from 133 percent to 101 percent. In addition, the reduction in the primary deficit during FY2021-22, together with the debt for marine protection swap with The Nature Conservancy, a discount in the Petrocaribe debt owed to Venezuela, and a strong increase in nominal GDP, reduced public debt further to 64 percent in 2022. As a result, public debt is now assessed as sustainable, although with still high near-term risks.

29. Growth and inflation are projected to moderate starting in 2023, while the primary balance is projected to remain in surplus. Real GDP growth is projected to slow to 2.4 percent in 2023 and 2 percent over the medium term, with the output gap closing in 2023. Inflation is projected to fall to 4.1 percent in 2023 and 1.2 percent over the medium term in line with the expected decline in global food and fuel prices. With unchanged policies, the primary balance is projected to stabilize at 1.2 percent of GDP, with public debt declining further to 53 percent of GDP by 2028. Risks to the outlook remain tilted to the downside.

30. The authorities should build on the successful reduction in public debt during 2021-22 and target a level of public debt that provides sufficient buffers. Reducing public debt to 50 percent of GDP by 2028 would imply that it stays below the 70 percent of GDP threshold for sustainability over a 5-year horizon with a 95 percent probability based on past shocks. It would also keep it manageable relative to revenue. Achieving this debt target requires implementing 0.8 percent of GDP of fiscal consolidation to increase the primary balance to 2 percent of GDP from FY2025 onwards.

31. Priority expenditure on infrastructure, targeted social programs, and crime prevention should be increased. This would boost growth and make it more inclusive and resilient to climate change and related disasters. The additional expenditure and fiscal consolidation should be financed with revenue and expenditure measures. Belize has ample room to raise revenue by taxing zero rated items at the standard 12.5 percent GST rate, enhancing revenue administration, and raising excises and fees. Expenditure could be reduced by reforming the PPPO, including by making it contributory, increasing the retirement age, and reducing the replacement rate. The authorities should also prepare contingency measures in case public debt does not fall as planned.

32. Boosting growth also requires easing access to credit for MSMEs, building resilience to climate change and related disasters, and enhancing governance. Progress in these areas would increase private investment, including FDI. Easing access to affordable credit for MSMEs requires establishing a credit bureau and a collateral registry, formalizing these firms, and helping them prepare business plans. Developing a DRS that focuses on improving structural, financial, and post-disaster resilience, and is based on a consistent multi-year macro-fiscal framework, would help unlock multilateral and donor funding for these initiatives. Improving governance and reducing ministerial discretion in business processes would enhance business confidence.

33. Implementing additional fiscal consolidation and growth enhancing structural reforms would also strengthen the currency peg and lower external imbalances. Belize's external position is assessed as moderately weaker than warranted by medium term fundamentals and desirable policies. In the absence of exchange rate flexibility, reducing the current account deficit to its equilibrium level and improving reserve adequacy requires implementing additional fiscal consolidation and growth-enhancing structural reforms in line with staff recommendations. It also requires reducing central bank financing to the government.

34. Preserving financial stability and enhancing the AML/CFT framework are important priorities. The process for resolving problem loans and strengthening the domestic banks' balance sheets after the pandemic has been well executed, with some banks put on enhanced supervision. However, risks remain, and the Central Bank must remain vigilant to developments in the financial sector. The authorities must complete the update of the national assessment of ML/TF risks and the action plan before the mutual evaluation by the Caribbean Financial Action Task Force in November 2023. The Financial Services Commission needs more resources to fulfill its supervisory role.

35. It is recommended that the next Article IV consultation take place on the standard 12-month cycle.

Figure 4. Belize: Real Sector Indicators

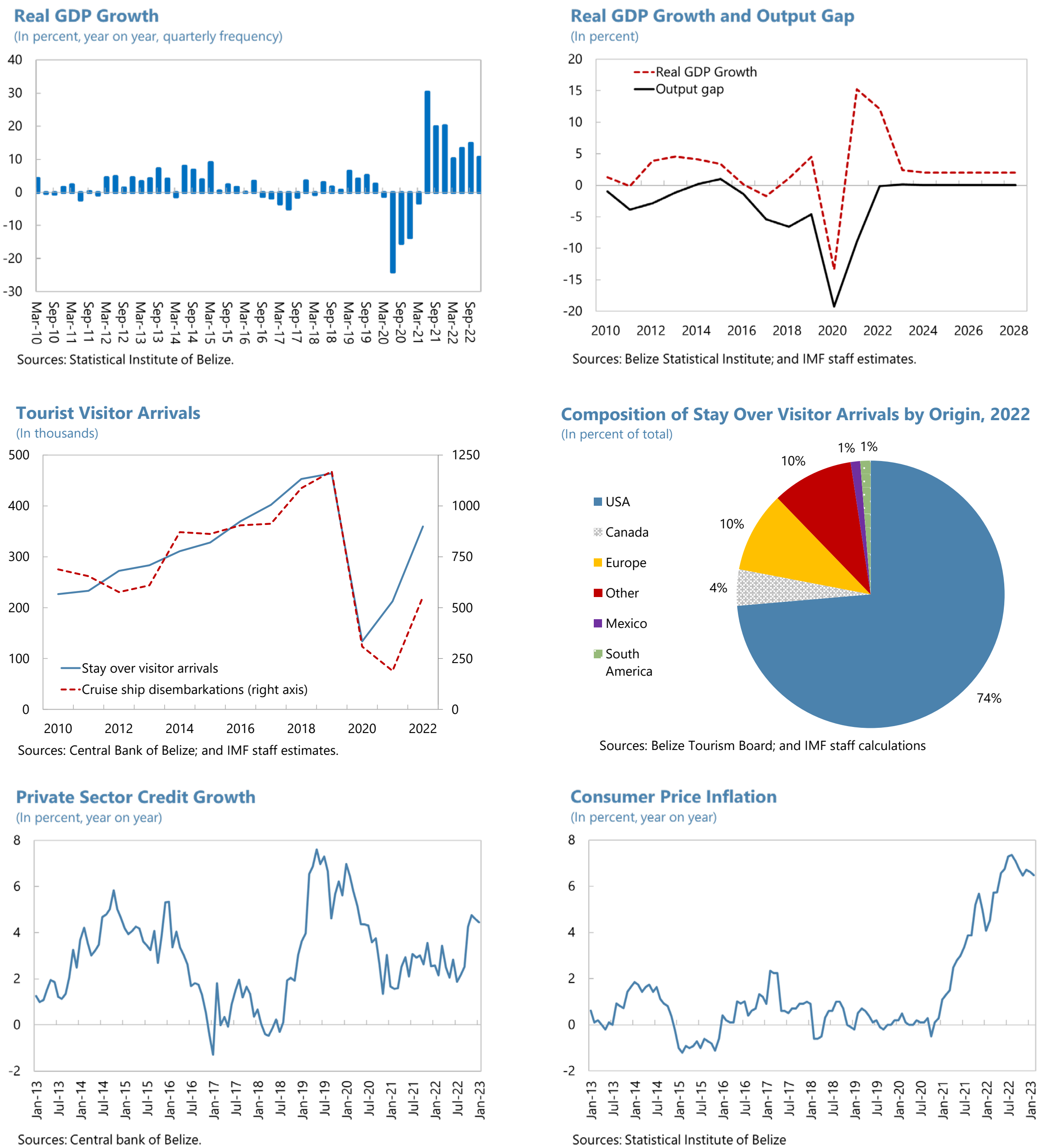
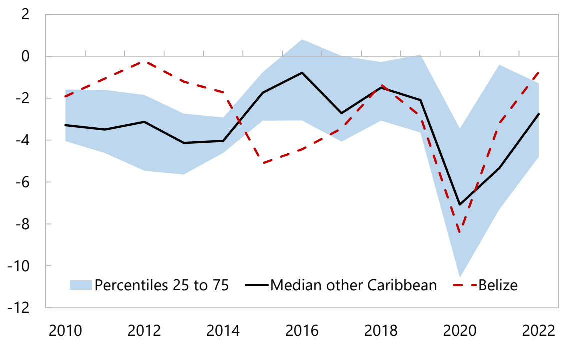


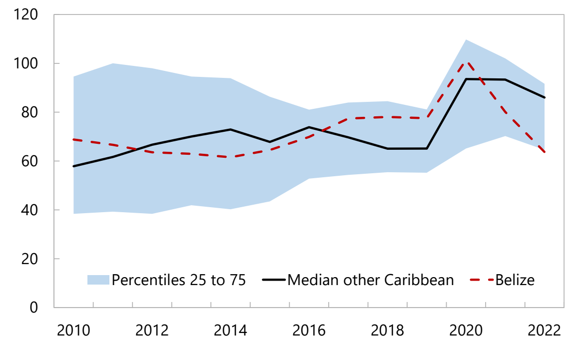
Figure 5. Belize: Public Sector Indicators 1/

Government Balance
(In percent of GDP)



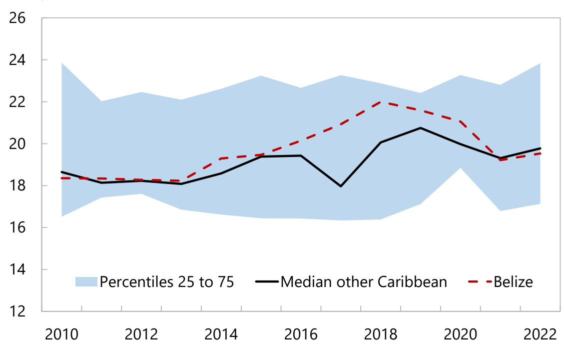
Sources: Country authorities and IMF staff estimates.

Public Sector Debt
(In percent of GDP)



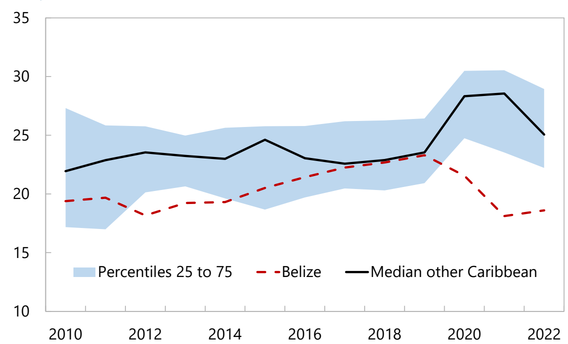
Sources: Country authorities and IMF staff estimates.

Government Tax Revenue
(In percent of GDP)



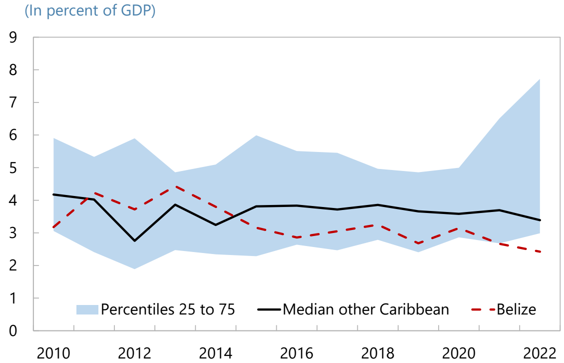
Sources: Country authorities and IMF staff estimates.

Government Current Expenditure
(In percent of GDP)



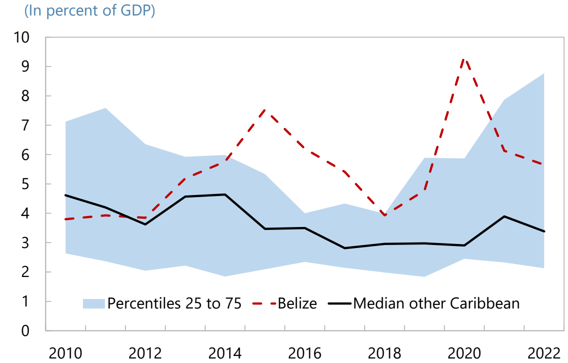
Sources: Country authorities and IMF staff estimates.

Government Nontax Revenue plus Grants
(In percent of GDP)



Sources: Country authorities and IMF staff estimates.

Government Capital Expenditure
(In percent of GDP)



Sources: Country authorities and IMF staff estimates.

1/ The other Caribbean group includes Antigua and Barbuda, Aruba, The Bahamas, Barbados, Dominica, Grenada, Guyana, Haiti, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, and Trinidad and Tobago.

Figure 6. Belize: External Sector Indicators

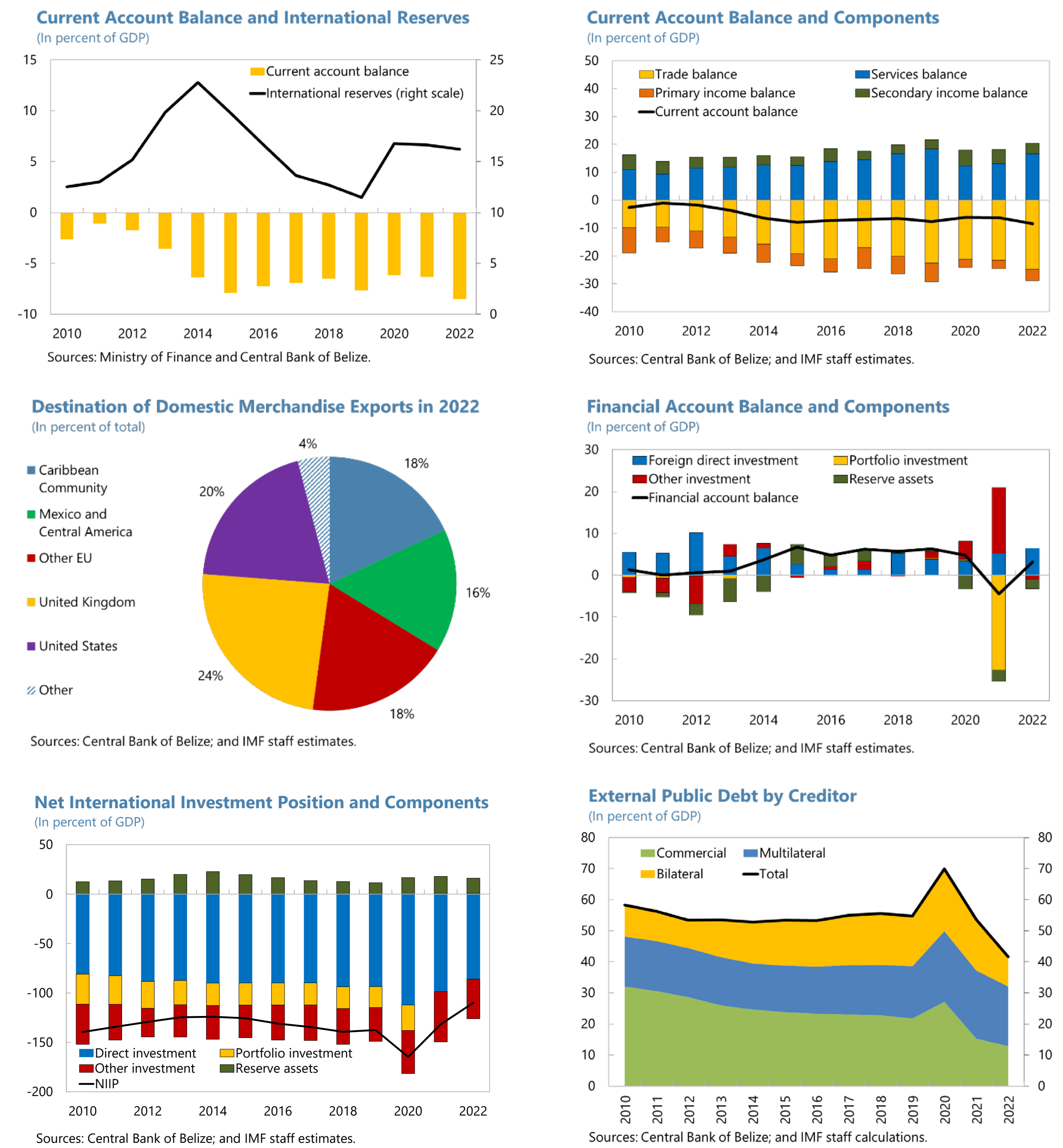


Table 1. Belize: Selected Social and Economic Indicators

I. Population and Social Indicators

Area (sq.km.)	22,860	Human development index (rank), 2021	123
Population (thousands), 2022	444.8	Under-five mortality rate (per thousand), 2020	11.7
GDP per capita, (current US$), 2022	6,722	Unemployment rate (percent), October 2022	5.0
Life expectancy at birth (years), 2019	74.6	Poverty (percent of total population), 2022	35.7

II. Economic Indicators

			Projections						
	2020	2021	2022	2023	2024	2025	2026	2027	2028
National income and prices	(Annual percentage changes, calendar year)								
GDP at constant prices	-13.4	15.2	12.1	2.4	2.0	2.0	2.0	2.0	2.0
Consumer prices (end of period)	0.3	4.9	6.7	3.1	2.0	1.2	1.2	1.2	1.2
Consumer prices (average)	0.1	3.2	6.3	4.1	2.5	1.6	1.2	1.2	1.2
Central government 1/	(In percent of fiscal year GDP)								
Revenue and grants	21.8	21.7	22.5	22.7	22.7	22.7	22.7	22.7	22.7
Current non-interest expenditure	20.0	16.7	15.4	15.6	15.6	15.6	15.6	15.6	15.6
Interest payment	1.5	1.2	1.7	1.8	1.8	1.8	1.8	1.8	1.7
Capital expenditure and net lending	10.0	5.0	6.0	5.9	5.9	5.9	5.9	5.9	5.9
Capital expenditure	9.6	4.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9
Net lending	0.3	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Primary balance	-8.1	0.0	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Overall balance	-9.7	-1.3	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.5
Public debt	(In percent of calendar year GDP)								
Public debt 2/	101.4	80.1	63.7	60.4	58.4	56.9	55.7	54.6	53.4
Domestic debt	31.6	26.4	22.2	18.7	16.5	15.6	15.6	15.9	15.7
External debt	69.9	53.7	41.6	41.7	41.8	41.4	40.1	38.6	37.7
Principal payment	6.3	6.7	4.4	4.0	3.5	2.8	2.2	2.3	2.3
Domestic	4.1	4.6	3.2	2.5	1.5	0.7	0.2	0.3	0.5
External	2.3	2.1	1.2	1.5	2.0	2.1	2.0	1.9	1.8
Money and credit	(Annual percentage changes, calendar year)								
Credit to the private sector	3.1	2.6	4.5	4.1	3.8	3.6	3.2	3.2	3.2
Money and quasi-money (M2)	10.7	12.3	4.7	4.0	3.6	3.5	3.2	3.2	3.2
External sector	(Annual percentage changes, unless otherwise indicated)								
External current account (percent of GDP) 3/	-6.1	-6.3	-8.5	-8.0	-7.7	-7.6	-7.4	-7.2	-7.0
Real effective exchange rate (+ = depreciation)	-0.3	-1.6	0.3	...	...	...	...	...	...
Gross international reserves (US$ millions)	349	415	481	487	494	500	503	507	513
In months of imports	3.4	3.3	3.7	3.6	3.6	3.5	3.4	3.4	3.3
Memorandum items									
Output gap (percent of potential output)	-19.2	-9.0	-0.1	0.1	0.0	0.0	0.0	0.0	0.0
Nominal GDP (BZ$ millions)	4,160	4,983	5,938	6,332	6,620	6,858	7,081	7,310	7,548

Sources: Belize authorities; UNDP Human Development Report; World Development Indicators; and staff estimates and projections.
1/ Fiscal year (April to March).
2/ Public debt includes central government debt as well as external financial and non-financial public sector debt.
3/ Including official grants.

Table 2a. Belize: Operations of the Central Government 1/2/

(In millions of Belize dollars, unless otherwise indicated)

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
			Projections						
Revenue and grants	**953**	**1,136**	**1,360**	**1,455**	**1,518**	**1,571**	**1,622**	**1,675**	**1,729**
Revenue	**922**	**1,097**	**1,328**	**1,422**	**1,483**	**1,535**	**1,585**	**1,636**	**1,690**
Current revenue	906	1,092	1,320	1,413	1,474	1,526	1,575	1,626	1,679
Tax revenue	819	1,003	1,212	1,298	1,354	1,402	1,447	1,494	1,543
Income and profits	239	225	347	378	394	408	421	435	449
Goods and services	447	585	642	681	710	735	759	784	809
General Sales Tax	244	320	351	372	388	402	415	428	442
Taxes on international trade	127	185	217	233	243	252	260	268	277
Nontax revenue	87	89	108	115	120	124	128	132	136
Capital revenue	16	5	8	9	9	10	10	10	11
Grants	**31**	**39**	**31**	**33**	**35**	**36**	**37**	**38**	**39**
Total expenditure	**1,375**	**1,201**	**1,393**	**1,494**	**1,560**	**1,611**	**1,665**	**1,716**	**1,769**
Current expenditure	940	939	1,033	1,115	1,165	1,203	1,243	1,282	1,320
Wages and salaries	452	413	446	468	488	505	522	539	556
Pensions	89	98	97	100	104	108	111	115	119
Goods and services	179	210	205	230	240	248	256	265	273
Interest payments	66	64	105	115	122	123	128	130	132
Transfers	154	153	179	202	211	218	226	233	240
Capital expenditure and net lending	434	262	360	379	395	408	421	435	449
Capital expenditure	421	256	358	376	392	406	419	432	446
Domestically financed expenditure (Capital II)	210	149	210	209	218	225	233	240	248
Foreign financed expenditure (Capital III)	211	104	139	158	165	171	176	182	188
Net lending	13	7	2	2	3	3	3	3	3
Primary balance	**-356**	**-1**	**72**	**76**	**80**	**83**	**85**	**88**	**92**
Overall balance	**-422**	**-66**	**-33**	**-39**	**-42**	**-40**	**-43**	**-42**	**-40**
Financing	**422**	**66**	**33**	**39**	**42**	**40**	**43**	**42**	**40**
Privatization (net)	0	0	-77	0	0	0	0	0	0
Domestic	38	-561	17	-121	-74	-11	44	49	17
Of which: Amortization	184	220	180	142	87	39	16	29	39
External	384	626	92	160	116	52	-2	-8	23
Disbursements	480	722	169	263	249	195	139	132	157
Amortization	96	96	77	104	133	143	140	139	134
Memorandum items:									
Primary balance (excluding one-off capital transfer) 3/	**-356**	**-1**	**72**	**76**	**80**	**83**	**85**	**88**	**92**
Structural primary balance	-128	111	74	74	79	83	85	88	91
Nominal GDP (in BZ$ millions)	4,366	5,222	6,037	6,404	6,679	6,914	7,138	7,370	7,609
Non-interest expenditure	1,309	1,137	1,288	1,379	1,438	1,488	1,536	1,586	1,637
Wages and salaries before reclassification	330	330	330	330	330	330	330	330	330
Oil revenue	2	2	2	3	3	3	3	3	3
Public sector debt 4/	4,182	3,954	3,745	3,782	3,824	3,865	3,908	3,952	3,993
Domestic	1,313	1,316	1,316	1,184	1,095	1,066	1,106	1,165	1,186
External	2,869	2,639	2,429	2,598	2,729	2,798	2,802	2,787	2,807

Sources: Ministry of Finance; Central Bank of Belize; and Fund staff estimates and projections.

1/ Fiscal year ends in March.

2/ Excludes extrabudgetary funds.

3/ Due to data limitations, the table deviates from the GFSM 2001 methodology.

4/ Calendar year. Public debt includes central government debt and external financial and non-financial public sector debt.

Table 2b. Belize: Operations of the Central Government 1/ 2/

(In percent of GDP, unless otherwise indicated)

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
			Projections						
Revenue and grants	**21.8**	**21.7**	**22.5**	**22.7**	**22.7**	**22.7**	**22.7**	**22.7**	**22.7**
Revenue	**21.1**	**21.0**	**22.0**	**22.2**	**22.2**	**22.2**	**22.2**	**22.2**	**22.2**
Current revenue	20.8	20.9	21.9	22.1	22.1	22.1	22.1	22.1	22.1
Tax revenue	18.8	19.2	20.1	20.3	20.3	20.3	20.3	20.3	20.3
Income and profits	5.5	4.3	5.7	5.9	5.9	5.9	5.9	5.9	5.9
Goods and services	10.2	11.2	10.6	10.6	10.6	10.6	10.6	10.6	10.6
General Sales Tax	5.6	6.1	5.8	5.8	5.8	5.8	5.8	5.8	5.8
Taxes on international trade	2.9	3.5	3.6	3.6	3.6	3.6	3.6	3.6	3.6
Nontax revenue	2.0	1.7	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Capital revenue	0.4	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Grants	**0.7**	**0.7**	**0.5**	**0.5**	**0.5**	**0.5**	**0.5**	**0.5**	**0.5**
Total expenditure	**31.5**	**23.0**	**23.1**	**23.3**	**23.3**	**23.3**	**23.3**	**23.3**	**23.2**
Current expenditure	21.5	18.0	17.1	17.4	17.4	17.4	17.4	17.4	17.4
Wages and salaries	10.4	7.9	7.4	7.3	7.3	7.3	7.3	7.3	7.3
Pensions	2.0	1.9	1.6	1.6	1.6	1.6	1.6	1.6	1.6
Goods and services	4.1	4.0	3.4	3.6	3.6	3.6	3.6	3.6	3.6
Interest payments	1.5	1.2	1.7	1.8	1.8	1.8	1.8	1.8	1.7
Transfers	3.5	2.9	3.0	3.2	3.2	3.2	3.2	3.2	3.2
Capital expenditure and net lending	10.0	5.0	6.0	5.9	5.9	5.9	5.9	5.9	5.9
Capital expenditure	9.6	4.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9
Domestically financed expenditure (Capital II)	4.8	2.9	3.5	3.3	3.3	3.3	3.3	3.3	3.3
Foreign financed expenditure (Capital III)	4.8	2.0	2.3	2.5	2.5	2.5	2.5	2.5	2.5
Net lending	0.3	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Primary balance	**-8.1**	**0.0**	**1.2**	**1.2**	**1.2**	**1.2**	**1.2**	**1.2**	**1.2**
Overall balance	**-9.7**	**-1.3**	**-0.6**	**-0.6**	**-0.6**	**-0.6**	**-0.6**	**-0.6**	**-0.5**
Financing	**9.7**	**1.3**	**0.6**	**0.6**	**0.6**	**0.6**	**0.6**	**0.6**	**0.5**
Privatization (net)	0.0	0.0	-1.3	0.0	0.0	0.0	0.0	0.0	0.0
Domestic	0.9	-10.7	0.3	-1.9	-1.1	-0.2	0.6	0.7	0.2
Of which: Amortization	4.2	4.2	3.0	2.2	1.3	0.6	0.2	0.4	0.5
External	8.8	12.0	1.5	2.5	1.7	0.7	0.0	-0.1	0.3
Disbursements	11.0	13.8	2.8	4.1	3.7	2.8	1.9	1.8	2.1
Amortization	2.2	1.8	1.3	1.6	2.0	2.1	2.0	1.9	1.8
Memorandum items:									
Primary balance (excluding one-off capital transfer) 3/	**-8.1**	**0.0**	**1.2**	**1.2**	**1.2**	**1.2**	**1.2**	**1.2**	**1.2**
Structural primary balance	-2.4	1.9	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Nominal GDP (in BZ$ millions)	4,366	5,222	6,037	6,404	6,679	6,914	7,138	7,370	7,609
Public sector debt 4/	101.4	80.1	63.7	60.4	58.4	56.9	55.7	54.6	53.4
Domestic	31.6	26.4	22.2	18.7	16.5	15.6	15.6	15.9	15.7
External	69.9	53.7	41.6	41.7	41.8	41.4	40.1	38.6	37.7

Sources: Ministry of Finance; Central Bank of Belize; and Fund staff estimates and projections.

1/ Fiscal year ends in March.

2/ Excludes extrabudgetary funds.

3/ Due to data limitations, the table deviates from the GFSM 2001 methodology.

4/ Calendar year. Public debt includes central government debt and external financial and non-financial public sector debt.

Table 3a. Belize: Balance of Payments

(In millions of US dollars, unless otherwise indicated)

	2020	2021	2022	2023	2024	2025	2026	2027	2028
			Projections						
Current account balance	**-128**	**-158**	**-252**	**-252**	**-256**	**-260**	**-262**	**-264**	**-265**
Trade balance	-443	-534	-737	-727	-752	-774	-793	-812	-831
Total exports, f.o.b.	289	422	469	509	532	551	569	587	606
Of which: Oil	2	4	2	1	1	0	0	0	0
Total imports, f.o.b.	731	956	1,206	1,236	1,284	1,325	1,361	1,399	1,437
Of which: Fuel and lubricants	80	134	211	191	188	185	191	196	202
Services	255	328	491	588	615	637	658	679	701
Income	-59	-78	-120	-214	-224	-232	-240	-247	-255
Of which: Public sector interest payments	-26	-20	-23	-34	-35	-37	-38	-39	-40
Current transfers	118	127	114	101	105	109	112	116	120
Private (net)	112	126	118	110	115	120	123	127	132
Official (net)	6	1	-5	-10	-10	-11	-11	-11	-12
Capital and financial account balance	**183**	**193**	**319**	**257**	**264**	**266**	**265**	**268**	**272**
Capital transfers	14	241	158	20	15	16	16	17	17
Public sector	124	451	-97	83	60	27	-5	-17	1
Change in assets	-1	-1	-1	-1	-1	-1	-1	-1	-1
Change in liabilities	125	452	-97	84	60	28	-5	-16	2
Disbursements	174	508	77	139	133	107	73	62	79
Central government	167	458	69	132	131	106	72	62	79
Amortization	-49	-56	-45	-55	-72	-80	-78	-78	-76
Central government	-47	-52	-36	-47	-65	-72	-70	-70	-69
Private sector 1/	45	-500	258	154	189	223	254	268	253
Foreign Direct Investment, net	72	129	190	171	146	151	156	161	166
Other private flows	-33	-63	68	-17	43	72	98	107	87
Commercial banks	-25	-148	-12	-7	18	32	46	50	40
Other private nonbanks	-2	-480	80	-10	25	40	52	57	47
Errors and omissions	**14**	**33**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Overall balance	**69**	**68**	**66**	**5**	**8**	**6**	**2**	**4**	**6**
Financing	**-69**	**-68**	**-66**	**-5**	**-8**	**-6**	**-2**	**-4**	**-6**
Memorandum items:									
Gross international reserves	349	415	481	487	494	500	503	507	513
In percent of next year's gross external financing needs	163	139	157	148	146	147	147	148	149
In percent of next year's total debt service	507	607	564	445	420	420	422	433	465
In months of next year's imports	3.4	3.3	3.7	3.6	3.6	3.5	3.4	3.4	3.3

Sources: Central Bank of Belize; and Fund staff estimates and projections.

1/ Detailed data on private sector flows are not available.

Table 3b. Belize: Balance of Payments
(In percent of GDP, unless otherwise indicated)

			Projections						
	2020	2021	2022	2023	2024	2025	2026	2027	2028
Current account balance	**-6.1**	**-6.3**	**-8.5**	**-8.0**	**-7.7**	**-7.6**	**-7.4**	**-7.2**	**-7.0**
Trade balance	-21.3	-21.4	-24.8	-23.0	-22.7	-22.6	-22.4	-22.2	-22.0
Total exports, f.o.b.	13.9	16.9	15.8	16.1	16.1	16.1	16.1	16.1	16.1
Of which: Oil	0.1	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Total imports, f.o.b.	35.2	38.4	40.6	39.0	38.8	38.6	38.5	38.3	38.1
Of which: Fuel and lubricants	3.9	5.4	7.1	6.0	5.7	5.4	5.4	5.4	5.4
Services	12.3	13.1	16.5	18.6	18.6	18.6	18.6	18.6	18.6
Income	-2.8	-3.1	-4.0	-6.8	-6.8	-6.8	-6.8	-6.8	-6.8
Of which: Public sector interest payments	-1.2	-0.8	-0.8	-1.1	-1.1	-1.1	-1.1	-1.1	-1.1
Current transfers	5.7	5.1	3.8	3.2	3.2	3.2	3.2	3.2	3.2
Private (net)	5.4	5.1	4.0	3.5	3.5	3.5	3.5	3.5	3.5
Official (net)	0.3	0.0	-0.2	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3
Capital and financial account balance	**8.8**	**7.7**	**10.7**	**8.1**	**8.0**	**7.7**	**7.5**	**7.3**	**7.2**
Capital transfers	0.7	9.7	5.3	0.6	0.5	0.5	0.5	0.5	0.5
Public sector	6.0	18.1	-3.3	2.6	1.8	0.8	-0.1	-0.5	0.0
Change in assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in liabilities	6.0	18.1	-3.3	2.6	1.8	0.8	-0.1	-0.4	0.1
Disbursements	8.4	20.4	2.6	4.4	4.0	3.1	2.1	1.7	2.1
Central government	8.1	18.4	2.3	4.2	3.9	3.1	2.0	1.7	2.1
Amortization	-2.4	-2.3	-1.5	-1.7	-2.2	-2.3	-2.2	-2.1	-2.0
Central government	-2.3	-2.1	-1.2	-1.5	-2.0	-2.1	-2.0	-1.9	-1.8
Private sector 1/	2.2	-20.1	8.7	4.9	5.7	6.5	7.2	7.3	6.7
Foreign Direct Investment, net	3.5	5.2	6.4	5.4	4.4	4.4	4.4	4.4	4.4
Other private flows	-1.6	-2.5	2.3	-0.5	1.3	2.1	2.8	2.9	2.3
Commercial banks	-1.2	-5.9	-0.4	-0.2	0.5	0.9	1.3	1.4	1.1
Other private nonbanks	-0.1	-19.3	2.7	-0.3	0.8	1.2	1.5	1.6	1.2
Errors and omissions	**0.7**	**1.3**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Overall balance	**3.3**	**2.7**	**2.2**	**0.2**	**0.2**	**0.2**	**0.1**	**0.1**	**0.2**
Financing	**-3.3**	**-2.7**	**-2.2**	**-0.2**	**-0.2**	**-0.2**	**-0.1**	**-0.1**	**-0.2**
Change in reserves (- increase)	-3.3	-2.7	-2.2	-0.2	-0.2	-0.2	-0.1	-0.1	-0.2

Sources: Central Bank of Belize; and Fund staff estimates and projections.

1/ Detailed data on private sector flows are not available.

Table 4. Belize: Operations of the Banking System

(In millions of Belize dollars, unless otherwise indicated)

				Projections					
	2020	2021	2022	2023	2024	2025	2026	2027	2028
Central Bank of Belize (CBB)									
Net foreign assets 1/	648	726	851	861	877	888	893	902	914
Net international reserves	699	848	967	977	992	1,004	1,009	1,017	1,030
Medium-term foreign liabilities 2/	-52	-122	-116	-116	-116	-116	-116	-116	-116
Net domestic assets	404	433	480	564	600	640	685	727	768
Credit to the public sector (net)	421	449	522	460	419	409	433	466	481
Central government	425	458	529	463	419	405	425	454	465
Other public sector	-4	-10	-8	-4	0	4	8	12	16
Capital and other assets (net)	-17	-16	-42	105	181	231	252	261	287
Base money	1,052	1,159	1,331	1,426	1,477	1,528	1,578	1,629	1,682
Currency issue	503	528	604	663	738	801	882	951	1,040
Reserves of commercial banks	548	631	727	763	739	727	695	678	642
Commercial banks									
Net foreign assets	301	597	553	567	531	467	375	275	195
Net claims on central bank	619	701	804	838	824	806	784	760	734
Of which: cash in vault	71	71	81	75	85	79	89	82	92
Net domestic assets	2,628	2,682	2,701	2,830	2,972	3,149	3,370	3,587	3,791
Credit to the public sector (net)	61	-14	-69	-127	-163	-168	-139	-101	-81
Central government	318	249	203	137	92	78	98	127	138
Other public sector	-258	-263	-272	-264	-255	-246	-237	-228	-219
Credit to the private sector	2,254	2,312	2,417	2,516	2,612	2,706	2,793	2,884	2,978
Other assets (net)	313	384	353	441	523	611	716	803	895
Liabilities to the private sector	3,548	3,980	4,058	4,235	4,327	4,421	4,529	4,622	4,720
Monetary survey									
Net foreign assets	949	1,322	1,404	1,428	1,407	1,355	1,268	1,176	1,109
Medium-term foreign liabilities of CBB	52	122	116	116	116	116	116	116	116
Net domestic assets	3,032	3,114	3,177	3,394	3,573	3,789	4,055	4,314	4,559
Credit to the public sector (net)	481	435	452	332	256	241	294	366	400
Central government	743	707	732	600	511	483	523	581	603
Other public sector	-261	-272	-280	-268	-255	-242	-229	-216	-203
Credit to private sector (by comm. banks)	2,254	2,312	2,417	2,516	2,612	2,706	2,793	2,884	2,978
Other items (net)	296	367	308	546	705	842	968	1,064	1,181
Liabilities to the private sector	3,980	4,437	4,581	4,823	4,980	5,144	5,323	5,491	5,668
Money and quasi-money (M2)	3,534	3,969	4,155	4,323	4,478	4,634	4,784	4,939	5,100
Currency in circulation	432	457	523	588	653	722	794	869	948
Deposits	3,101	3,512	3,631	3,735	3,825	3,911	3,990	4,071	4,152
Foreign currency deposits	116	162	149	153	157	161	164	167	170
Capital and reserves of commercial banks	447	468	426	500	502	510	539	551	568
Memorandum items:									
Private sector local currency deposits (growth, percent)	9.8	13.2	3.4	2.9	2.4	2.3	2.0	2.0	2.0
Base money (growth, percent)	23.0	10.2	14.9	7.1	3.6	3.5	3.2	3.2	3.2
Credit to priv. sector by comm. banks (growth, percent)	3.1	2.6	4.5	4.1	3.8	3.6	3.2	3.2	3.2
Money and quasi-money growth (M2, percent)	10.7	12.3	4.7	4.0	3.6	3.5	3.2	3.2	3.2
Net international reserves to M2 (percent)	19.8	21.4	23.3	22.6	22.2	21.7	21.1	20.6	20.2
Required cash reserve ratio (percent)	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5
Loan-deposit ratio (percent)	70.1	62.9	63.9	64.7	65.6	66.4	67.2	68.1	68.9

Sources: The Central Bank of Belize; and Fund staff estimates and projections.
1/ Includes Central Government's foreign assets.
2/ Includes SDR allocation.

Table 5. Belize: Baseline Medium-Term Outlook

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
			Projections										
			(Annual percentage change)										
GDP and prices													
GDP at constant prices	-13.4	15.2	12.1	2.4	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
GDP at current market prices	-13.9	19.8	19.2	6.6	4.6	3.6	3.2	3.2	3.2	3.2	3.2	3.2	3.2
Prices (GDP deflator)	-0.6	4.0	6.3	4.1	2.5	1.6	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Consumer prices (end of period)	0.4	4.9	6.7	3.1	2.0	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
			(In percent of GDP, unless otherwise indicated)										
National accounts													
Consumption	80.5	79.9	80.3	79.3	78.5	78.2	78.0	77.7	77.6	77.4	77.2	77.1	76.9
Gross domestic investment 1/	28.5	28.4	28.0	25.1	25.6	25.8	26.0	25.9	25.9	26.0	26.2	26.3	26.5
Net exports	-9.0	-8.3	-8.3	-4.4	-4.1	-4.0	-4.0	-3.6	-3.4	-3.4	-3.4	-3.4	-3.4
Gross national savings	19.6	17.2	14.0	14.0	13.9	14.0	14.3	14.6	15.0	15.1	15.3	15.4	15.6
Central government 2/													
Revenue and grants	21.8	21.7	22.5	22.7	22.7	22.7	22.7	22.7	22.7	22.7	22.7	22.7	22.7
Total expenditure	31.5	23.0	23.1	23.3	23.3	23.3	23.3	23.3	23.2	23.2	23.1	23.1	23.0
Noninterest expenditure	30.0	21.8	21.3	21.5	21.5	21.5	21.5	21.5	21.5	21.5	21.5	21.5	21.5
Primary balance	-8.1	0.0	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Interest	1.5	1.2	1.7	1.8	1.8	1.8	1.8	1.8	1.7	1.7	1.6	1.6	1.5
Overall balance	-9.7	-1.3	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.5	-0.5	-0.4	-0.4	-0.3
External sector													
Current account balance	-6.1	-6.3	-8.5	-8.0	-7.7	-7.6	-7.4	-7.2	-7.0	-7.0	-7.0	-7.0	-7.0
Of which: Exports of goods and services	34.4	41.9	43.3	44.6	44.6	44.5	44.5	44.5	44.5	44.5	44.5	44.5	44.5
Of which: Petroleum exports	0.1	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Of which: Imports of goods and services	-43.4	-50.1	-51.6	-48.9	-48.7	-48.5	-48.5	-48.2	-48.0	-48.0	-48.0	-48.0	-48.0
Capital and financial account	8.8	7.7	10.7	8.1	8.0	7.7	7.5	7.3	7.2	7.3	7.3	7.2	6.6
Public sector disbursements	8.4	20.4	2.6	4.4	4.0	3.1	2.1	1.7	2.1	2.0	2.0	1.9	2.3
Public sector amortization	-2.4	-2.3	-1.5	-1.7	-2.2	-2.3	-2.2	-2.1	-2.0	-1.8	-1.6	-1.6	-2.6
Other capital and fin. account transactions 3/	2.8	-10.4	9.7	5.5	6.1	6.9	7.6	7.8	7.1	7.1	7.0	6.9	6.9
Change in reserves (- increase)	-3.3	-2.7	-2.2	-0.2	-0.2	-0.2	-0.1	-0.1	-0.2	-0.3	-0.3	-0.2	0.4
Gross official reserves (in months of imports)	3.4	3.3	3.7	3.6	3.6	3.5	3.4	3.4	3.3	3.3	3.2	3.2	3.0
Public debt 4/	101.4	80.1	63.7	60.4	58.4	56.9	55.7	54.6	53.4	52.2	51.0	49.8	48.6
Domestic	31.6	26.4	22.2	18.7	16.5	15.6	15.6	15.9	15.7	15.3	14.7	14.3	14.3
External	69.9	53.7	41.6	41.7	41.8	41.4	40.1	38.6	37.7	36.9	36.2	35.5	34.2

Sources: Belizean authorities; and Fund staff estimates and projections.

1/ Excludes discrepancy in external savings from the balance of payments.
2/ Fiscal projections are on a calendar year basis.
3/ Includes errors and omissions.
4/ Public debt includes central government debt as well as external financial and non-financial public sector debt.