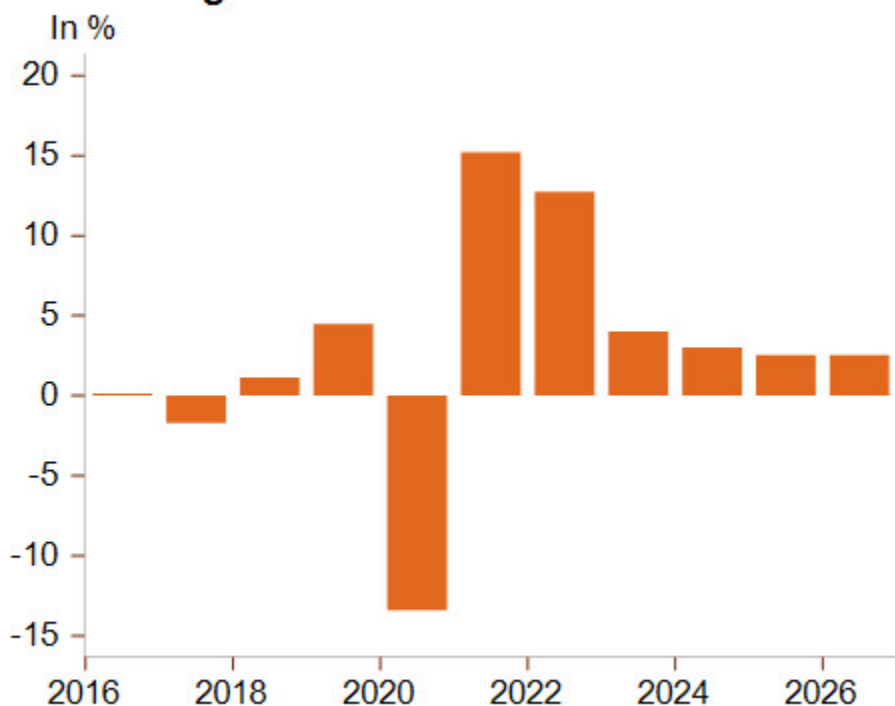


Belize: Upgrade of the MLT political risk to category 5/7 | Credendo

Strong economic rebound thanks to the quick return of tourists

Since 2021, Belize's economy strongly rebounded after [the Covid-19 pandemic](#) thanks to the quick return of tourists. Tourism is an important growth driver as it contributes to more than 40% of GDP. In the coming years, economic growth is expected to gradually slow – mainly due to fiscal consolidation – but remain relatively robust at around 3% (see graph below). A large downside risk for this forecast is climate change, as it increases the risk of [severe droughts](#), especially in El Niño years. Severe droughts can hurt the important agriculture sector (accounting for around 10% of GDP) as Belize is a producer of sugar, bananas and fruit juices. Since Belize is situated in the hurricane belt and [hurricanes became more fierce due to climate change](#), a large hurricane is also an ongoing threat. Lastly, the US presidential election in November and the next US president's stance on immigration will be important as remittances from the USA account for around 5% of GDP. On the upside, potential nearshoring from the USA could increase foreign direct investment in the coming years and boost economic growth for this small Central American country.

Real GDP growth of Belize



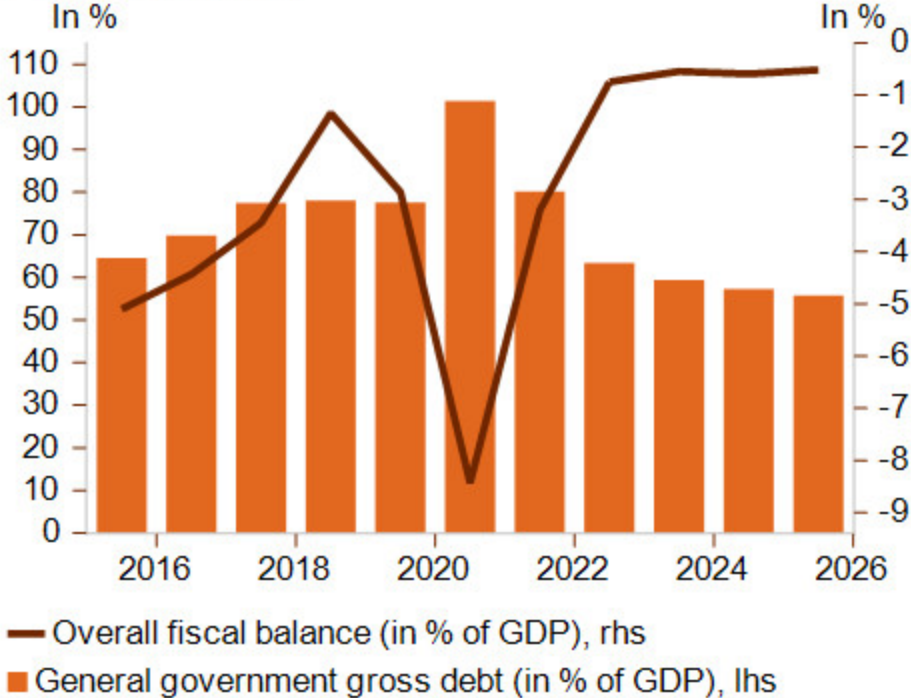
Source: IMF

Public finances sharply improved to sustainable levels

Belize – once a sovereign serial defaulter – has sharply improved its public finances, which have reached sustainable levels. Public debt ratios shrunk from a very high 480% to public revenues and 101% to GDP in fiscal year April 2020–March 2021 to respectively 290% and 63% in fiscal year April 2022–March 2023. This impressive improvement can be attributed to austerity measures and

strong economic growth, but also to recent multiple debt restructurings. First of all, there was a discount on the Petrocaribe debt owed to Venezuela in 2022 (amounting to 4.3% of GDP). Secondly, there was a debt swap for marine protection (accounting for 9% of GDP) in 2021. The government purchased all of Belize’s US dollar bond issues at a significant discount from investors. The purchase of the sovereign bonds was financed by a blue loan provided by The Nature Conservancy (TNC), a US environmental group. On their part, the government funded an endowment account (managed by an affiliate of the TNC) to support Belize’s marine conservation projects. This blue loan is part of the plan to support Belize’s blue economy – also known as ocean economy – to improve the productivity, sustainability and resilience of the ocean ecosystem by 2030. More than half of Belizeans rely on the country’s coral reef and its resources for their livelihoods, making the protection of sea territory and resources vital for the economy.

Public finances



Source: IMF

External solvability improved with historic low external debt levels

External solvability indicators clearly improved as well. External debt peaked in March 2021 at almost 180% of current account revenues and 70% of GDP, which are high levels for the small economy. However, it steadily decreased to below 90% of current account revenues and 42% of GDP in March 2023, which are historically low levels. The main reasons for this improvement are the economic recovery and sovereign debt restructuring. Looking forward, external debt levels are likely to remain around this level, unexpected large shocks not taken into account. Tourism is the largest source of current account revenues and accounts for almost half of the total current account revenues. Therefore, a downside risk would be an unexpected recession in the USA, where most tourists come from, or a new pandemic (a real possibility due to climate change). Nonetheless, since the macro-economic fundamentals of this small Central American country improved significantly, Credendo decided to upgrade Belize’s MLT political risk from category 6/7 to category 5/7.

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