ISIR Journal of Business and Management Studies (ISIRJBMS)
ISSN: 3048-7684 (Online)
Frequency: Bimonthly
Published By ISIR Publisher
Journal Homepage Link- https://isirpublisher.com/isirjbms-home/

Public Debt Dynamics and Macroeconomic Stability in Belize: Post-Pandemic Recovery, IMF Insights, and Growth Prospects

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Article History

Received: 15/03/2026
Accepted: 27/03/2026
Published: 30/03/2026

Vol – 3 Issue – 2

PP: -25-26

DOI:10.5281/zenodo. 19316241

Abstract

The Belize economy registered impressive economic resilience after the COVID-19 pandemic, with a 13.9% contraction in 2020, followed by cumulative growth of over 30% between 2023 and 2024, and a further 8.1% in 2024, driven by tourism, trade, and business process outsourcing. The debt-to-GDP ratio rose to 103.3% in 2020, only to fall significantly to 61.1% by the end of 2024, driven by high nominal growth, expenditure control, debt-for-marine swaps, and Petro Caribe restructuring. The 2025 IMF report on the Article IV Consultation highlights a projected slow-down in economic growth to 1.5% in 2025, with the debt-to-GDP ratio stabilizing at 58% of GDP. This paper assesses the sustainability of Belize's debt and analyses the implications of consolidation on sustainability and long-term economic growth. The empirical charts and simulation of the debt sustainability framework underscore the possibility of achieving the 50% debt target by 2030, provided the primary balance is raised to 2.0% of GDP. The risks associated with tourism capacity, climate change, and global interest rate risks remain, but with sound policies, there is a possibility of achieving greater stability in this small, open, and tourism-dependent economy.

Keywords: *Debt sustainability, fiscal consolidation, debt to GDP ratio, economic stability, Belize, IMF, Article IV, post-pandemic recovery.*

Abbreviations: *GDP – Gross Domestic Product, IMF – International Monetary Fund, FY – Fiscal Year, pb – primary balance, r – real interest rate, g – real growth rate*

INTRODUCTION

For small island and coastal country economies like Belize, vulnerability to external economic shocks is extremely high. The COVID-19 pandemic was just such a shock, which resulted in the virtual destruction of the tourism sector, large increases in fiscal deficits, and public debt reaching historic highs at 103.3% of GDP in 2020 (IMF, 2025). However, Belize also recorded one of the strongest post-pandemic economic recoveries in our region, with real GDP growth exceeding pre-pandemic levels by 16% in 2023 and unemployment rates decreasing to just 3.4%. The most recent IMF consultations for Belize (2024 and 2025) recognize buoyant revenues and wage control while recommending further consolidation to achieve our goal of reducing public debt to 50% of GDP by 2030. This study seeks to examine how changing levels of public debt and fiscal policy contribute to economic stability and growth, and in this way, directly address Belize's economic challenges including our high reliance on tourism, currency peg to the USD, and rising costs associated with climate change.

Materials and Methods

Data was obtained from official sources including IMF Staff Reports and Press Releases (2024, 2025), Central Bank of Belize statistics, World Bank data, and our 2026/27 Budget Speech. Key economic indicators used in this study include debt to GDP ratios, real GDP growth rates, and primary and total fiscal balances for FY2020-2025 and projections to 2030.

Analytical framework employs the canonical debt dynamics equation:

$$d_t = \left(\frac{1+r_t}{1+g_t}\right) d_{t-1} - pb_t + o_t$$

where d_t is debt-to-GDP at time t, r_t real effective interest rate (≈3.5–4%), g_t real growth, pb_t primary balance (% GDP), and o_t other factors (e.g., stock-flow adjustments).

Scenario analysis involves the comparison of the baseline (i.e., no policy changes: pb ≈ 1.0–1.1%) and reform (i.e., pb = 2.0% from FY2025) paths through iterative simulations. The visualizations were created to aid comprehension of the scenarios' trajectories (Figures 1–2). Robustness tests

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incorporate sensitivity to ±1% changes in g and r. The analysis is fully replicable using publicly accessible data series, and no primary survey data were collected.

Results and Discussion

Fiscal turnaround after the pandemic. Public debt declined from 103.3% (2020) to 67.2% (2023) and further to 61.1% (2024), supported by cumulative real growth exceeding 30% and an improvement in the primary balance from –8.5% to +1.7% of GDP (IMF, 2025). Figure 1 illustrates this inverse relationship with GDP growth.

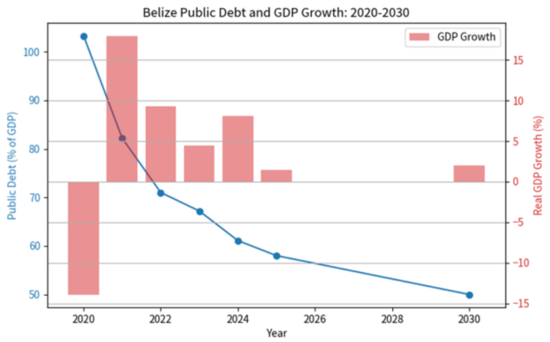

Figure 1. Belize public debt (% GDP) and real GDP growth (%), 2020–2030 (sources: IMF 2025; projections baseline). Strong nominal expansion and consolidation drove the sharp descent; slowdown risks plateauing above 50%.

Fiscal indicators improved markedly (Figure 2).

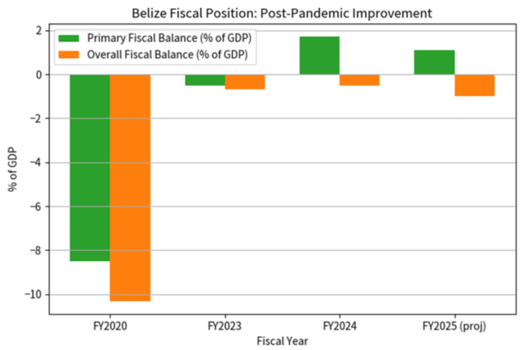

Figure 2. Primary and overall fiscal balances (% GDP), selected FY periods (IMF data). The shift to primary surplus in FY2024 reflects buoyant taxes and restrained spending, yet overall deficits persist due to interest (≈2.2% GDP).

Debt dynamics simulation

Applying the equation with baseline parameters ($g = 2\%, r = 3.5\%, pb = 1.1\%$) yields debt stabilising near 58% by 2030—above the authorities' target. Raising pb to 2.0% reduces debt to 49% by 2030, freeing ≈0.8% GDP annually for priority spending. Mathematically:

$$\Delta d \approx (r - g)d - pb$$

With $d = 61$, a 1 pp higher pb lowers steady-state debt by ≈25 pp at current differentials, illustrating fiscal policy's leverage on stability.

Implications for economic stability and growth

Lower debt levels have reduced crowding-out effects, improved perceptions of sovereign risk, and supported the USD peg through stronger reserve positions (approximately 3.5–4 months of import cover). However, in the absence of deeper fiscal consolidation, rising interest payments may limit capital expenditure, particularly in the context of climate-related risks and tourism capacity constraints. Fiscal policy, reflected in wage restraint and enhanced revenue mobilisation—has played a central role in anchoring macroeconomic stability. Sustained commitment to these measures, alongside structural reforms such as increased female labour force participation, expanded SME credit access, and strengthened disaster resilience, could raise potential growth beyond 2%. IMF policy recommendations are aligned with this approach, emphasising the adoption of a fiscal rule, expenditure reprioritisation, and the accumulation of fiscal buffers. For Belize, achieving a 50% debt-to-GDP ratio would strengthen economic resilience, enhance investor confidence, and support inclusive growth in an increasingly volatile global environment.

Acknowledgment

The views expressed in this paper are those of the authors and do not necessarily reflect the official positions of the Government of Belize or the University. The author acknowledge the Central Bank colleagues for providing access to relevant data. No conflicts of interest are declared.

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