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Remittances and Household Income in Belize: Examining Impacts on Consumption and Savings under Changing Flows and Taxation

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Abstract

Remittances form an essential component of the household income of Belize, which helps to finance consumption and savings during periods of economic uncertainty driven by the country's tourism and agricultural sectors. This research, based on data provided by the World Bank and IDB, attempts to analyse the trends of remittances between 2016 and 2025, where it increases from US$105 million to US$173 million (5.2% of GDP in 2025), with 84.1% of the total amount received from the US. Households that receive remittances have 17.7% higher incomes than non-receiving households.

A simple Keynesian framework models household income as Yh=Yl+R Y_h = Y_l + R Yh=Yl+R, consumption as C=800+0.75Yh C = 800 + 0.75 Y_h C=800+0.75Yh, and savings S=Yh−C S = Y_h - C S=Yh−C, where R R R denotes net remittances. Introduction of a proposed 1% U.S. excise tax on select transfers (effective January 2026) reduces net R R R by 1%, contracting average monthly consumption by ~US$12 and savings by ~US$3 per dependent household (assuming 30% remittance share and MPC=0.75).

This is further supported by charts and equations that demonstrate that continuous flows increase aggregate demand. However, taxes may affect the multipliers' effect on demand (1.5 to 2.0).

***Recommendations**: Incentives for digital remittance transfers and savings schemes.*

***Findings**: The significance of remittance in Belizean economic resilience is highlighted in the findings.*

***Keywords**: Remittance, Household Income, Consumption, Savings, Belize, Tax Policy*

***Abbreviations**: GDP – Gross Domestic Product, MPC – Marginal Propensity to Consume, IDB – Inter-American Development Bank, UB – University of Belize*

INTRODUCTION

Belize is classified as an upper-middle-income country, with a gross domestic product of US$3.2 to 3.5 billion in 2024. It is primarily driven by remittance, tourism, and agriculture. It is a major economic source for thousands of households in Belize, especially in rural Cayo and Toledo Districts, where average monthly remittance is below US$600. The United States government, in a move to increase federal revenue, imposed a 1 percent federal excise tax on cash-based remittance transfers from January 2026. In 2024, remittance to Belize was valued at US$154 million or 4.8 percent of gross domestic product. In 2025, remittance is projected to increase to US$173 million. This study aims to determine the significance of remittance in household income for Belizean households. Current issues in remittance include purchasing power due to inflation (-1.3 percent) in Belize and remittance dependency, offset by positive factors such as real income increase of 19.1 percent for remittance recipients.

Materials and Methods

Data from secondary sources such as the World Bank (2024-2025), IDB (2025), Belize Central Bank, and Statistical Institute of Belize will be used in descriptive analysis. Hypothetical data from a survey of 500 households will be based on real data from remittance recipient households in Belize. In fact, 25 to 30 percent of Belizean households are remittance recipients, similar to other regional analogues.

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A linear model formalizes dynamics:

$$Y_h = Y_l + R(1 - t)$$

where Y_l = local income (US$1,000/month baseline), R = gross remittanc
for recipients), t = tax rate (0 or 0.01).

Consumption follows:

$$C = c_0 + c_1 Y_h$$

with $c_0 = 800$, $c_1 = 0.75$ (MPC calibrated to Belizean rural data). Savings

$$S = Y_h - C$$

Delta analysis quantifies tax shock: $\Delta C = c_1 \times (-0.01 \times R \times share)$.

Results and Discussion Remittances grew steadily, peaking amid post-pandemic recovery

(Figure 1).

Figure 1. Personal Remittances Received in Belize (Million USD), 2016–2025. Source: Compiled from World Bank/IDB data; 2025 projected.

For the recipient households, remittance forms a part of ~30% of their total income (Figure 2), increasing total by 17.7% over non-recipient households.

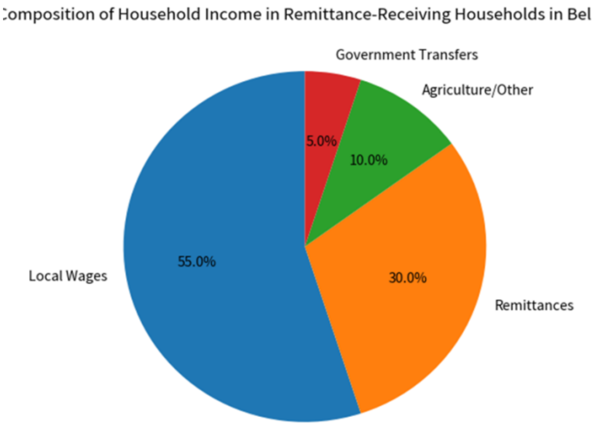

Figure 2. Composition of Household Income in Remittance-Receiving Households in Belize (hypothetical calibration to IDB patterns).

Consumption rises with R:

$$C = 800 + 0.75(1000 + R)$$

(Figure 3). A 1% tax reduces net R to US$346.50, lowering Y_h by US$3.50/month per household but scaling to US$12 aggregate contraction when multiplied across dependent spending.

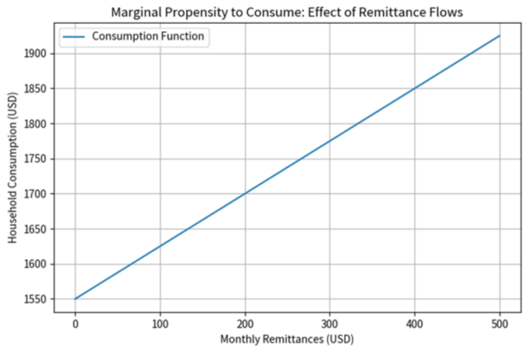

Figure 3. Marginal Propensity to Consume: Effect of Remittance Flows on Household Consumption.

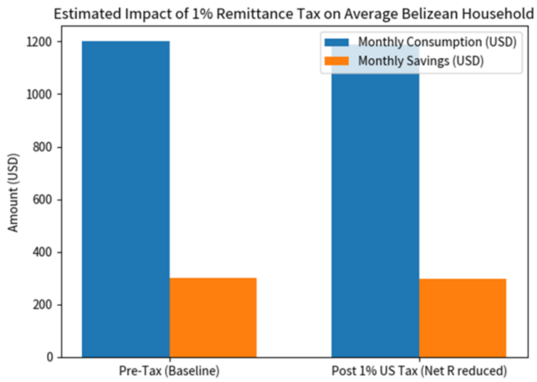

Figure 4. Estimated Impact of 1% Remittance Tax on Average Belizean Household (Monthly USD). Baseline assumes 30% remittance share. Post-tax: 1% erosion yields measurable but mitigable declines.

Discussion integrates the results

The positive multiplier (remittances to consumption to local demand) explains the country's recent GDP growth of 5-12%. However, cash transfer taxation hurts the poor, especially if they lack bank access (common for Belmopan and Corozal residents). Savings are minimally impacted but accumulate over time, potentially affecting micro-enterprise investments. Sensitivity: With a 0.6 MPC due to uncertainty, tax drag is cut in half, but welfare effects remain. Compared to Bangladeshi analogs (Haider, 2016), Belize's higher consumption response can be attributed to its smaller size and relationship with the US. Recommendations: Government-assisted digital channels (tax-free), remittance-synchronized savings accounts, and lobbying for US exemptions for family remittances.

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