

## GUATEMALA

### 1. General trends

After growing by 3.9% in 2019, real GDP in Guatemala declined by 1.5% in 2020, owing to the negative impact of confinement measures and mobility restrictions implemented by the government to address the coronavirus disease (COVID-19) pandemic, the contraction of external demand as a result of the global crisis, and, to a lesser extent, the damage wrought toward the end of the year by Hurricanes Eta and Iota. The Economic Commission for Latin America and the Caribbean (ECLAC) estimates that those extreme weather events accounted for an 0.1 percentage point drop in 2020 GDP. On the expenditure side, the decline was above all in private consumption (-1.1%, compared to growth of 4.5% in 2019) and gross fixed investment (-5.9%, compared to growth of 8.7% in 2019).

Year-on-year inflation rose to 4.8% in December 2020, 1.41 percentage points more than at the end of 2019, owing principally to pandemic-related supply constraints, the seasonality of agricultural produce, increased transport costs and mobile telephony charges, and the termination of the electricity subsidy. The central government fiscal deficit was equivalent to 4.9% of GDP in 2020, compared to 2.2% of GDP in 2019, as a result of greater expenditure on health and the implementation of emergency measures. The current account posted a surplus for the fifth consecutive year (5.5% of GDP, compared to 2.3% of GDP in 2019), thanks to an increase in the value of exports, a decline in the value of imports, and a major increase in remittances from abroad. The open unemployment rate, nationwide, stood at 4.7% (2.0% in 2019), while the total number of participants in the Guatemalan Social Security Institute (IGSS) fell by 4.5% in 2020 (compared to an increase of 1.9% in 2019). The National Employment and Income Survey was not conducted in 2020.

ECLAC estimates GDP growth of 4.6% for Guatemala in 2021. The end-of-year central government deficit is projected to be equivalent to around 3.5% of GDP, as a result of a gradual recovery of revenue. The current account surplus is expected to be equal to about 2.5% of GDP, above all owing to increased imports in response to the reactivation of consumption and investment. Year-on-year inflation (December to December) is estimated at 3.75%, within the central bank's target range of 4% plus or minus 1 percentage point, as a result of fewer restrictions on the supply of goods and services. The open unemployment rate is expected to decline in 2021, as more people are vaccinated and the pace of economic activity picks up.

### 2. Economic policy

As of the second half of March 2020, economic policy focused on diminishing the negative economic impact of the health crisis. A series of countercyclical measures were implemented, including continuation of the cash transfer programmes and the creation of new ones, the delivery of food and medicine, and the deferment of payments for basic services, along with monetary and credit policy measures aimed at bolstering market liquidity. Economic policy in 2021 is geared towards achieving a recovery in economic activity, especially via the purchase of vaccines to immunize the population against COVID-19, the hiring of teachers to increase access to education, and home construction in response to the devastation wrought by Hurricanes Eta and Iota.

**(a) Fiscal policy**

In 2020, the government's fiscal policy stance was expansionary, with a view to mitigating the impacts of the pandemic on households and companies. The result was a marked increase in the central government deficit, due to a decline in revenue and sharp increase in expenditure. Total revenue fell by 6.7% in real terms, compared to 2019, to the equivalent of 10.7% of GDP. Tax revenue and non-tax revenue dropped by 6.7% in real terms. In tax revenue, property tax receipts fell most (-71.6% in real terms), while, in non-tax revenue, receipts from duties and other fees (*derechos de tasas y otros*) declined by 29.5%. The significant fall in property tax is in comparison with 2019, when there was a real estate boom, and reflects the downturn in economic activity in 2020. Nevertheless, this tax accounts for less than 0.1% of total revenue.

Total expenditure increased by 13.5% in real terms, with current expenditure up by 15.2% and capital expenditure up by 6.8%. Total expenditure was equivalent to 15.6% of GDP; current expenditure 12.6%; and capital expenditure, 3%.

The fiscal deficit ended 2020 at 4.9% of GDP. It was financed principally by the placement of treasury bonds issued by the Ministry of Finance. New loans were another source of financing, taken out and disbursed by Congress, with multilateral organizations, such as the Inter-American Development Bank (IDB), under the Tax Management and Financial Sector Transparency Program (US\$ 250 million) and the Education Quality and Coverage Improvement Program (US\$ 20 million); the World Bank, with the Second Disaster Risk Management Development Policy Loan (US\$ 200 million); the Japan International Cooperation Agency, with the Roads Improvement Project (US\$ 36 million); and the Central American Bank for Economic Integration (CABEI), with Support for Social and Productive Infrastructure Investment Projects (US\$ 11 million).

As a percentage of GDP, the total public debt increased from 26.5% in 2019 to 31.4% in 2020. The domestic public debt rose by 3.3 percentage points to 18% of GDP, while the external public debt increased by 1.6 percentage points of GDP to 13.4% of GDP.

Fiscal policy in the second half of 2021 is expected to be characterized by robust execution of public expenditure, which is why a surplus was posted for the first four months of the year. Through April 2021, total public revenue showed real year-on-year growth of 12.3%. Tax revenue rose by 13.3% in real terms, while non-tax revenue fell by 5.2%, also in real terms. In the first four months of 2021, total expenditure declined, year on year, and in real terms, by 3.4%. Capital expenditure, on the other hand, rose by 0.4% in real terms.

**(b) Monetary policy and exchange-rate policy**

Like fiscal policy, monetary policy in 2020 was expansionary. Between March 19 and June 24, Bank of Guatemala's monetary board lowered its monetary interest rate by 100 basis points and kept it at 1.75% for the rest of the year. Temporary liquidity windows were opened, new ways of calculating cash reserve requirements were approved, and changes were made to the rules of procedure for managing credit risk, in effect until 30 September, 31 October and 31 December 2020, respectively.

The bank deposit rate averaged 4.63% in nominal terms in 2020 (1.4% in real terms), slightly below the rate in 2019 (5.01% nominal and 1.3% real). The average nominal lending rate fell by two-tenths of a percent, from 12.74% in 2019 to 12.53% in 2020 (8.7% in 2019 and 9.1% in 2020, in real terms). The nominal increase in financial system lending to the private sector in 2020 was 8.9%, compared to a 7.8%

increase in 2019. Just over half (50.8%) of loans were for the consumer sector, followed by the commercial (14.3%), manufacturing (7.1%), construction (7%), agricultural (2.8%), and real estate (2.8%) sectors.

The monetary interest rate remained unchanged in the first six months of 2021. Although inflationary pressure is being exerted, it is expected to be short-term, given the basis of comparison and some supply shocks, and economic agents' expectations remain anchored to the inflation outlook.

In first quarter 2021, nominal deposit rates were at 4.29% (-1.3% in real terms), while nominal lending rates stood at 12.33% (6.3% in real terms). Lending to the private sector totalled 136,904 million quetzals (approximately US\$ 17.737 billion) at 30 April 2021, 5% more than in the same period in 2020. Just over half (51.7%) of loans were for the consumer sector (51.7% of the total), followed by the commercial (14.3%), manufacturing (7.1%), construction (6.8%), agricultural (2.7%), and real estate (2.7%) sectors. By year's end, credit is expected to increase by between 6.5% and 9.5%, compared to 2020.

### (c) Exchange rate policy

In 2020, the exchange rate in Guatemala continued to be governed by a managed floating regime. At 31 December 2020, the average nominal exchange rate stood at US\$ 1 = 7.7 quetzals: indicating a slight (1.23%) depreciation vis-à-vis end-2019. The real exchange rate index showed 1.6% depreciation compared to 2019. In the fourth week of March, Bank of Guatemala auctioned United States dollars in excess of the amount established in the rules of the institutional foreign exchange market in order to reduce exchange market volatility. That was the only time it did so in 2020. At end-2020, international reserves totalled US\$ 18.468 billion, equivalent to 23.7% of GDP and 13 months of total imports, a nominal increase of 26.4% compared to end-2019.

At 30 June 2021, the nominal exchange rate was 7.74 quetzals to the dollar, down by 0.77% compared to the end of December 2020. At end-June 2021, international reserves totalled US\$ 18.671 billion. They are expected to increase by year's end, as exports pick up, remittance flows continue to increase, and coffee, banana, and sugar prices continue to rise.

## 3. The main variables

### (a) The external sector

Goods exports posted 3.1% annual growth in 2020, driven by increased sales of cardamom (75.4%), a product that accounted for 9.9% of total exports of goods. This growth was due more to a 4% increase in the total volume exported than to prices (-2.4%). Exports of traditional products, comprising mainly agricultural products, increased by 9.7%, while non-traditional exports increased by 0.7%. Among the latter, the most notable growth rates were for cereals, fish, and shellfish-based food products (19.2%) and raw fish and shellfish (17.7%). Exports of services fell by 29.3% in 2020 (-0.7% in 2019), mainly owing to plummeting revenue from tourism (-75.7%). The main export markets were other Central American countries (29.9%), Mexico (4.0%), and the United States (30.2%).

Imports in 2020 posted a year-on-year decline, in value terms, of 8.4%, principally as a result of low international prices for fuels and agricultural products. They totalled US\$ 18.207 billion. The decline reflected the combination of a drop in the total volume of imports (-6.4%) and the drop in prices (-7.7%). Imports of services fell by 21.4% in 2020 (2.5% in 2019). The goods and services balance reflected a deficit of US\$ 6.177 billion, 22% less than in 2019. The terms of trade improved by 7.4%.

Despite the economic crisis in the United States and higher unemployment, family remittances rose by 7.9% and accounted for 14.6% of GDP. Fiscal stimulus packages in the United States, along with family and precautionary concerns, may have fuelled the increase in this financial flow.

Foreign direct investment (FDI) flows totalled US\$ 915.2 million in 2020, 6.1 % less than in 2019. The lion's share of FDI flows were reinvested earnings. More than half went to the financial sector and manufacturing (29.7% and 23.9%, respectively). The main countries of origin of FDI were the United States (21.3%), Colombia (21.1%), Panama (13.0%), and the Russian Federation (8.2%).

Exports of goods posted year-on-year growth of 12.9% in the first three months of 2021, driven by higher sales of oil (50.5%), cardamom (26.1%), and sugar (15.4%). Imports posted a year-on-year increase of 18.5%, in value, due largely to the recovery in international fuel prices. In March 2021, FDI totalled US\$ 305.6 million, 23.1% higher than in the year-earlier period.

By 30 June 2021, cumulative income from remittances totalled US\$ 6.966 billion, a year-on-year increase of 42.7%. Bank of Guatemala estimates that remittances will total approximately US\$ 12.950 billion in 2021, up 14.2% over 2020, while exports are expected to increase by 10.0% and imports by 11.0%. FDI flows in 2021 are projected to exceed those of 2020.

#### **(b) Economic activity**

On the expenditure side, private consumption contracted (-1.1%), despite the increase in remittances, while domestic investment fell sharply, mainly as a result of the decline in public investment (-30.8%). On the supply side, the sectors with the steepest declines were board and lodging (-24%), transport and storage (-12.9%), other services activities (-9.3%) and construction (-6.2%).

Second quarter 2020 registered the sharpest year-on-year quarterly decline in recent history (-8.9%). Economic activity contracted far less in the third quarter (-1.4%), and grew, year-on-year, in the fourth (3%). Restrictions on economic activity in Guatemala were relaxed as of September 2020.

In first quarter 2020, GDP posted year-on-year growth of 4.8% (1.2% in 2019) and gross capital formation was the demand component that grew most (20.3%). On the supply side, construction and health were the most dynamic sectors (up 12.5% and 9.8%, respectively). In May 2021, the trend-cycle series of the monthly index of economic activity (IMAE) registered year-on-year growth of 11.7%, far higher than the figure posted in May 2020(-7.4%).

Vaccination has become one of the main public policy measures for easing restrictions on economic activity. By 30 June 2021, Guatemala had received 1,229,800 doses of Moderna, Covishield, AstraZeneca, and Sputnik. Some were donated by the Governments of India, Israel, and Mexico, while others were purchased through the Vaccines Global Access (COVAX) Facility and from the Government of the Russian Federation.

#### **(c) Prices, wages and employment**

In December 2020, inflation posted an increase compared to end-2019 (4.82% compared to 3.41%). The highest annual price increases were registered in the transport (9.91%), food and non-alcoholic beverages (8.68%) and health (2.22%) sectors. In the first months of 2020, inflation declined, but, as of March, began to rise, accelerating as of July.

Owing to restrictions on movements, information was not gathered for the National Employment and Income Survey in 2020, so that there is no official national open unemployment rate. However, undoubtedly, there was a sharp drop in the number of employed persons. The International Labour Organization (ILO) estimates that the national open unemployment rate was 4.7% (2.0% in 2019). The total number of participants in the Guatemalan Social Security Institute (IGSS) averaged 1,289,859, 4.5% fewer than in 2019.

Nominal minimum wages increased in 2020, compared to 2019. The minimum daily wage was 90.16 quetzals per day in the agricultural sector and 92.88 quetzals per day (approximately US\$ 12) for non-agricultural activities, while in the maquila sector, the minimum wage was 84.88 quetzals per day (about US\$ 11). In real terms, the change in the monthly minimum wage for agricultural activities was -1.4% compared to 2019, while, in non-agricultural activities, it was 1.6%, and, in the maquila sector, it increased to 1.5%.

In June 2021, inflation rose by 3.9% year-on-year, below the target range of the central bank. The largest increases were in transport and communications (23.3%), water, electricity, and gas (6.2%), and food and non-alcoholic beverages (5.4%). Higher oil prices could raise inflation over the course of the year, although they are expected to remain below US\$ 60 per barrel. Guatemala is an oil-exporting country, but it imports by-products. The open unemployment rate will decline owing to the uptick in economic activity.

Table 1  
**GUATEMALA: MAIN ECONOMIC INDICATORS**

	2012	2013	2014	2015	2016	2017	2018	2019	2020 a/
	<b>Annual growth rates b/</b>								
Gross domestic product	3.0	3.7	4.4	4.1	2.7	3.1	3.3	3.9	-1.5
Per capita gross domestic product	0.8	1.5	2.3	2.0	0.6	1.1	1.3	1.9	-3.4
Gross domestic product, by sector									
Agriculture, livestock, hunting, forestry and fishing	4.9	4.7	1.6	2.6	2.4	3.3	2.5	2.1	2.9
Mining and quarrying	-19.3	3.5	46.6	4.2	-9.1	-29.3	-31.1	2.8	-1.6
Manufacturing	3.3	3.5	3.4	3.7	3.0	3.0	3.3	3.1	-0.2
Electricity, gas and water	6.4	5.2	6.5	0.6	3.8	5.4	2.1	-1.3	2.2
Construction	0.8	1.7	7.5	1.6	-0.3	3.0	5.1	9.5	-6.2
Wholesale and retail commerce, restaurants and hotels	3.0	3.2	3.8	4.2	3.2	3.3	2.9	4.2	-3.8
Transport, storage and communications	3.1	2.9	2.7	5.4	3.5	4.1	4.1	3.7	-4.9
Financial institutions, insurance, real estate and business services	4.6	4.9	4.6	5.3	3.1	3.8	4.7	4.6	1.9
Community, social and personal services	4.4	4.8	4.1	3.7	2.4	2.7	2.9	2.4	-2.9
Gross domestic product, by type of expenditure									
Final consumption expenditure	3.4	3.9	4.4	4.7	3.2	3.1	3.9	4.3	-0.7
Government consumption	5.8	5.6	3.6	0.9	-3.1	2.1	6.7	2.5	1.6
Private consumption	3.1	3.7	4.5	5.1	4.1	3.3	3.5	4.5	-1.1
Gross capital formation	2.0	-1.0	-1.3	1.4	-4.0	4.2	10.0	8.2	-6.7
Exports (goods and services)	1.8	6.7	6.9	2.8	2.4	1.5	-0.3	0.1	-4.4
Imports (goods and services)	2.8	4.3	3.4	3.6	0.9	2.8	3.9	4.9	-4.6
Investment and saving c/	<b>Percentages of GDP</b>								
Gross capital formation	16.9	15.8	15.1	14.8	13.9	13.6	13.8	14.3	12.9
National saving	13.2	11.6	11.8	13.6	14.8	14.8	14.6	16.6	18.4
External saving	3.7	4.2	3.3	1.2	-1.0	-1.2	-0.9	-2.3	-5.5
Balance of payments	<b>Millions of dollars</b>								
Current account balance	-1 847	-2 239	-1 909	-774	637	857	622	1 791	4 249
Goods balance	-6 428	-6 749	-6 782	-6 439	-6 077	-6 791	-7 985	-7 967	-5 927
Exports, f.o.b.	8 580	8 663	9 375	9 085	8 973	9 651	9 644	9 919	10 514
Imports, f.o.b.	15 008	15 412	16 157	15 524	15 050	16 442	17 629	17 885	16 441
Services trade balance	-77	34	74	81	222	291	166	49	-250
Income balance	-1 025	-1 236	-1 517	-1 486	-1 425	-1 501	-1 507	-1 412	-1 398
Net current transfers	5 683	5 712	6 316	7 071	7 917	8 858	9 948	11 120	11 824
Capital and financial balance d/	2 365	2 977	2 035	1 279	787	1 743	366	7	-1 060
Net foreign direct investment	1 226	1 449	1 388	1 048	965	934	778	799	704
Other capital movements	1 139	1 528	647	231	-178	809	-412	-792	-1 765
Overall balance	518	738	126	505	1 424	2 600	988	1 798	3 189
Variation in reserve assets e/	-518	-738	-126	-505	-1 424	-2 600	-988	-1 798	-3 189
Other external-sector indicators									
Real effective exchange rate (index: 2005=100) f/	88.3	87.2	83.1	77.0	72.5	68.6	69.1	68.2	66.3
Terms of trade for goods (index: 2010=100)	95.2	92.9	93.8	94.3	102.1	99.7	93.6	94.1	101.1
Net resource transfer (millions of dollars)	1 340	1 741	518	-207	-639	242	-1 141	-1 405	-2 459
Total gross external debt (millions of dollars)	17 452	19 825	21 577	22 235	23 333	24 982	24 462	24 947	25 374

Table 1 (concluded)

	2012	2013	2014	2015	2016	2017	2018	2019	2020 a/
<b>Employment</b>	<b>Average annual rates</b>								
Open unemployment rate g/	2.9	3.1	2.9	2.6	2.7	2.5	2.4	2.3	...
<b>Prices</b>	<b>Annual percentages</b>								
Variation in consumer prices (December-December)	3.4	4.4	2.9	3.1	4.2	5.7	2.3	3.4	4.8
Variation in nominal exchange rate (annual average)	0.6	0.3	-1.6	-1.0	-0.7	-3.3	2.3	2.4	0.3
Variation in average real wage	4.0	-0.1	2.5	3.4	-2.0	-1.0	0.7	...	...
Nominal deposit rate h/	5.3	5.5	5.5	5.5	5.5	5.4	5.2	5.0	4.6
Nominal lending rate i/	13.5	13.6	13.8	13.2	13.1	13.1	12.9	12.7	12.5
<b>Central government</b>	<b>Percentages of GDP</b>								
Total revenue	11.8	11.8	11.6	11.1	11.5	11.4	11.3	11.2	10.7
Tax revenue	11.4	11.5	11.1	10.7	10.8	11.0	10.9	10.8	10.4
Total expenditure	14.2	14.0	13.6	12.6	12.6	12.7	13.2	13.4	15.0
Current expenditure	10.9	10.9	10.6	10.4	10.4	10.5	10.6	10.7	12.6
Interest	1.6	1.6	1.5	1.6	1.5	1.5	1.5	1.6	1.7
Capital expenditure	3.3	3.1	3.0	2.2	2.2	2.3	2.6	2.7	2.4
Primary balance	-0.9	-0.6	-0.5	0.1	0.4	0.1	-0.3	-0.6	-2.6
Overall balance	-2.4	-2.2	-1.9	-1.5	-1.1	-1.4	-1.9	-2.2	-4.4
<b>Central government public debt</b>	24.5	25.0	24.7	24.8	25.0	24.6	26.0	25.8	28.8
Domestic	11.9	11.6	12.7	12.6	12.7	13.1	13.6	14.0	15.1
External	12.4	13.3	11.6	12.2	12.3	11.6	12.4	11.8	13.6
<b>Money and credit</b>	<b>Percentages of GDP, end-of-year stocks</b>								
Domestic credit	36.5	37.6	39.2	40.6	40.5	38.6	38.6	36.9	39.6
To the public sector	7.5	8.1	8.9	8.6	7.9	7.5	8.9	9.4	11.9
To the private sector	32.2	33.1	33.5	35.3	35.7	35.2	35.1	34.1	35.9
Others	-3.2	-3.7	-3.2	-3.3	-3.1	-4.1	-5.4	-6.6	-8.2
<b>Monetary base</b>	10.6	10.3	10.5	10.9	11.8	12.6	12.9	13.4	17.2
Money (M1)	16.2	15.7	15.6	16.2	16.3	17.1	17.7	18.6	23.0
M2	35.2	35.6	35.9	37.4	38.1	39.8	41.4	43.0	50.3
Foreign-currency deposits	11.6	12.3	12.1	11.9	11.5	11.0	11.8	10.9	12.5

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

a/ Preliminary figures.

b/ Based on figures in local currency at constant 2001 prices.

c/ Based on values calculated in national currency and expressed in current dollars.

d/ Includes errors and omissions.

e/ A minus sign (-) indicates an increase in reserve assets.

f/ Annual average, weighted by the value of goods exports and imports.

g/ Nationwide total.

h/ Weighted average of the system deposit rates in local currency.

i/ Weighted average of the system lending rates in local currency.

Table 2  
**GUATEMALA: MAIN QUARTERLY INDICATORS**

	2019				2020				2021	
	Q.1	Q.2	Q.3	Q.4	Q.1	Q.2	Q.3	Q.4	Q.1	Q.2 a/
Gross domestic product (variation from same quarter of preceding year) b/	3.8	3.7	3.8	4.1	1.2	-8.9	-1.4	3.0	4.8	...
Gross international reserves (millions of dollars)	12 590	13 732	14 534	14 675	15 145	16 750	17 544	18 344	18 442	18 871 c/
Real effective exchange rate (index: 2005=100) d/	68.6	68.0	68.0	68.3	67.8	65.3	65.7	66.4	66.6	66.9 c/
Consumer prices (12-month percentage variation)	4.2	4.8	1.8	3.4	1.8	2.4	5.0	4.8	5.8	3.9
Average nominal exchange rate (quetzales per dollar)	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.8	7.8	7.7
Nominal interest rates (average annualized percentages)										
Deposit rate e/	5.0	5.1	5.0	4.9	4.8	4.7	4.6	4.4	4.3	4.2 c/
Lending rate f/	12.8	12.7	12.8	12.7	12.7	12.6	12.5	12.3	12.3	12.3 c/
Interbank rate	3.0	3.8	3.6	2.6	2.5	1.9	1.7	1.6	1.6	1.6 g/
Monetary policy rates	2.8	2.8	2.8	2.8	2.6	1.9	1.8	1.8	1.8	1.8
International bond issues (millions of dollars)	-	1 200	-	-	-	1 200	200	-	300	700
Domestic credit (variation from same quarter of preceding year)	4.4	2.6	2.2	2.5	3.6	3.6	7.1	8.2	8.6	12.4 c/

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

a/ Preliminary figures.

b/ Based on figures in local currency at constant 2001 prices.

c/ Figures as of May.

d/ Quarterly average, weighted by the value of goods exports and imports.

e/ Weighted average of the system deposit rates in local currency.

f/ Weighted average of the system lending rates in local currency.

g/ Figures as of April.