

Guatemala

According to ECLAC estimates, Guatemala's GDP grew by 2.9% in 2018, slightly higher than the 2.8% recorded in 2017. The main drivers of growth have been private consumption —stimulated by remittances— and, to a lesser extent, domestic investment. By the end of the year, inflation is expected to stand at around 4% (compared to 5.7% in 2017), within the 3%–5% target range set by the central bank. The fiscal deficit is expected to come in at around 1.5% of GDP (compared to 1.3% in 2017) and the balance-of-payments current account surplus should narrow to 1% of GDP (down from 1.6% in 2017) because of a higher oil bill.

In the first nine months of 2018, the fiscal situation was marked by an acceleration of public spending. By September 2018, expenditure execution stood at 66.3%, which is higher than the average for the last five years (64.8%). There was also a slowdown in tax revenues, since in 2017 windfall income was received pursuant to Governmental Agreement No. 82-2017, which waived fines, arrears, interest and surcharges for taxpayers who paid their tax debts in full, and thus encourage the payment of taxes.

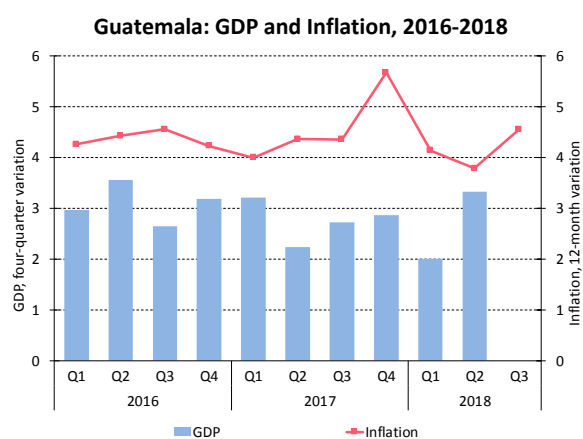
Total central government revenues fell in the first nine months of 2018 (by 0.5% in real terms) due to the 5.5% decline in non-tax revenues and 0.4% drop in tax revenues. Capital revenues, although they have little weight in the total, also declined sharply (-18.6%). The tax burden was 7.4% of GDP, the lowest in 20 years. Total spending, meanwhile, rose by 1.2%, reflecting a 9% climb in capital spending, while current outlays edged down by 0.2%.

External public debt increased by 0.4% in the first nine months of the year and was equivalent to 10.5% of GDP (compared to 10.9% over the same period in 2017). Domestic public debt saw year-on-year growth of 14.9%, reaching the equivalent of 13.7% of GDP (12.6% in 2017).

Monetary policy continued its accommodative stance in 2018. The leading interest rate remained unchanged during the first nine months of the year, at 2.75%. Nominal banking interest rates were also virtually unaltered over the same period, standing at 5.2% in the case of the rate paid on deposits, and 13.0% for the lending rate, while in real terms they were 1.2% and 8.7%, respectively.

During those nine months, bank credit to the private sector saw an annual increase of 7.1%, higher than that for the previous year (5.2%), but still below the buoyant growth observed during the post-crisis period 2012–2015 (12.2%).

As at 30 September 2018, the nominal exchange rate registered a year-on-year depreciation of 4.9% owing to a deterioration in the terms of trade. The instruments designed by the central bank to moderate exchange-rate appreciation helped to reduce the pressure on the quetzal. These included: the intervention rule, which was modified at the beginning of 2017 (the number and ceiling of daily auctions was increased and, as of February, the intervention schedule was modified); the collection of term deposits in



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

dollars (in effect from February 2017 to the first half of August 2018); and the international reserves accumulation mechanism, which was activated twice in 2018, between January and May and again between August and October.

By October 2018, net international reserves amounted to US\$ 12.357 billion (equivalent to just over seven months of imports), up by US\$ 588 million from the close of 2017.

In the first nine months of the year, the value of exports fell by 2.4% year-on-year. Non-traditional exports rose slightly (0.4%), while traditional exports were down 8.5%, mainly because of the drop in the international prices of coffee, sugar and bananas. With regard to merchandise imports, the increase was 8.9%, owing to higher purchases abroad of intermediate goods, in particular oil and fuel. The terms of trade are estimated to have declined by around 3%.

Family remittances expanded by 12.6% in the first 10 months of 2018 (compared to 16.1% in the year-earlier period), driven by the strong performance of the labour market in the United States.

Foreign direct investment (FDI) flows, which come primarily from the United States and Mexico, reached US\$ 546 million in the first half of the year, down from the US\$ 573 million received in the same period of 2017.

GDP growth picked up in the second quarter of 2018, with a year-on-year growth rate of 3.3%, higher than the rates for both the first quarter (2.0%) and the same quarter of the previous year (2.2%).

In the first half of 2018, economic activity was driven by positive growth in virtually all sectors, with the exception of mining and quarrying (which accounts for about 0.3% of total GDP), which contracted by 54.4% as a result of the temporary shutdown of the San Rafael mining company, pursuant to a ruling by the Constitutional Court. Among the most robust sectors were electricity, gas and water; transport, storage and communications; and financial intermediation, insurance and related activities, with year-on-year growth of 8.5%, 6.1% and 5.2%, respectively. On the demand side, the fastest growth was in private consumption (4.5%), driven by the increase in remittances and the improvement in employment and, to a lesser extent, in credit. There was also year-on-year growth in government consumption (3.9% compared to 0.1%), in line with greater spending. Gross fixed investment was up by 2.7% thanks to the satisfactory execution of civil engineering works commissioned by the government and the increase in investment in imported capital goods intended for manufacturing, telecommunications and construction. However, exports performed negatively (down 3.8%), owing to lower exported volumes of products such as bananas, sugar, beverages, spirits and vinegar, and plastic materials and articles thereof.

The year-on-year change in the consumer price index (CPI) was 4.3% in October, compared to 4.2% in the same month of 2017. Year-on-year core inflation stood at 2.6% (2.9% in 2017).

Guatemala: main economic indicators, 2016-2018

	2016	2017	2018 ^a
	Annual growth rate		
Gross domestic product	3.1	2.8	2.9
Per capita gross domestic product	1.1	0.9	1.1
Consumer prices	4.2	5.7	4.3 ^b
Real average wage ^c	-2.0	-0.9	...
Money (M1)	6.1	7.7	8.2 ^d
Real effective exchange rate ^e	-5.6	-4.8	0.0 ^d
Terms of trade	-0.3	7.6	-4.3
	Annual average percentage		
Open urban unemployment rate	3.4	3.2	3.9
Central government			
Overall balance / GDP	-1.4	-1.1	-1.9
Nominal deposit rate ^f	5.5	5.4	5.2 ^b
Nominal lending rate ^g	13.1	13.1	13.0 ^b
	Millions of dollars		
Exports of goods and services	13 365	13 954	13 899
Imports of goods and services	18 793	20 377	21 887
Current account balance	1 023	1 189	501
Capital and financial balance ^h	368	1 377	87
Overall balance	1 392	2 566	588

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

a/ Estimates.

b/ Figures as of October.

c/ Average wage declared by workers covered by social security.

d/ Figures as of September.

e/ A negative rate indicates an appreciation of the currency in real terms. Refers to the global real effective exchange rate.

f/ Weighted average of deposit rates.

g/ Weighted average of lending rates.

h/ Includes errors and omissions.

The labour market was relatively buoyant at the end of 2017 and although employment information for 2018 is not yet available, continued growth in 2018 is likely to have yielded favourable results. Specifically, according to information collected in the third and most recent round of the National Employment and Income Survey (ENEI), the open unemployment rate fell to 2.1% in December 2017 (down from 2.4% in December 2016). The unemployment rate was higher for women (at 3.1%) than men (1.6%). The overall participation rate of the economically active population stood at 62.0%, similar to the December 2016 figure (60.9%). While the nominal daily minimum wage for farm and non-farm sectors rose by 3.8% to 90.16 quetzals (US\$ 12) in January 2018, in real terms this represented a 0.2% drop. In the maquila sector, the minimum wage rose by 3.7% in nominal terms (a 0.2% drop in real terms) to 82.46 quetzals (US\$ 11).

ECLAC projects that the economy will expand by 3.0% in 2019, driven by an upturn in private consumption, a moderate increase in public spending and a return to growth in the external sector after the contraction seen in 2018. The fiscal deficit is forecast to be around 2.5% of GDP. The current account balance is expected to be equivalent to 1.4% of GDP, while inflation is anticipated to be around 4%, and the unemployment rate is projected to close the year at 2%.