GUATEMALA

1. General trends

Guatemala's real GDP grew by 4.1% in 2022, which was 3.9 percentage points less than the previous year's 8.0% expansion. This slowdown reflects the end of the base effect seen in 2021, compounded by weaker economic growth in the United States, an adverse global economic context affected by the war between the Russian Federation and Ukraine, accelerating inflation, rising interest rates and extreme weather events. Factors that boosted economic activity included stronger remittance flows and the expansion of public spending.

Year-on-year inflation came in at 9.2% in December 2022, 6.2 percentage points more than a year earlier, owing mainly to higher international prices of energy and food products. The central government fiscal deficit was equivalent to 1.7% of GDP, up from the previous year's 1.2% as a result of increased subsidies and emergency programmes to address the effects of extreme weather events. The current account posted a surplus for the seventh consecutive year (1.4% of GDP, compared to 2.2% in 2021), boosted by increased remittance flows and exports. The open unemployment rate stood at 3%, 0.8 percentage points higher than in 2021.

The Economic Commission for Latin America and the Caribbean (ECLAC) expects economic activity in Guatemala to grow by 3.1% in 2023 —a slowdown based on slacker growth expected in the United States economy, compounded by the impact of monetary tightening measures adopted to curb inflation. The central government deficit is expected to end the year at around 2% of GDP, owing to a reduction in income and an increase in exceptional investment expenditures. The current account surplus is expected to be around 1.1% of GDP, driven mainly by a sharp increase in remittances, tempered by increased imports of goods and services. Year-on-year (December–December) inflation is expected to end the year at around 5%, at the upper bound of the central bank's target range. The open unemployment rate may rise in 2023, as economic activity slows.

2. Economic policy

In 2022, Guatemalan families and businesses were hit hard by the rise in the international prices of food and energy products, so economic policy focused on cushioning the impact. In 2023, however, economic policy has been targeted more to infrastructure maintenance and construction.

(a) Fiscal policy

Fiscal policy in 2022 was expansionary, to mitigate the adverse effects of higher international food and energy prices on households and firms. Total income increased by 5.9% in real terms relative to 2021 to represent 12.7% of GDP. Tax revenues expanded by 6.2% and non-tax income grew by 3.8% in real terms, to represent 12.1% and 0.6% of GDP respectively. Among tax revenues, income tax posted the largest increase (+3.1% in real terms), while among indirect tax revenues, value-added tax (VAT) revenue grew by 9.8%". Total expenditure rose by 9.8% in real terms to represent 14.4% of GDP, with current expenditure increasing by 10% and capital expenditure up by 9.2%, to represent 11.9% and 2.5% of GDP, respectively. The fiscal deficit was equivalent to 1.7% of GDP in 2022.

Total public debt decreased from 30.8% of GDP in 2021 to 28.8% in 2022, mainly owing to the significant increase in nominal GDP. Domestic public debt declined by 0.5 percentage points to 17.3% of GDP, while the external public debt fell by 1.2 percentage points to 11.6% of GDP. The government drew on both domestic and external sources to meet its financing needs. On 22 February 2022, it issued Treasury bonds totalling 15.963 billion quetzales (2% of GDP) on the domestic market, followed by US$ 500 million in Eurobonds (0.5% of GDP) on 23 August 2023. In addition, some 4.591 billion quetzales were obtained through loans from international organizations, equivalent to 0.6% of GDP. Of this amount, 85% came from the World Bank in the form of budgetary and health support, while 13.4% was financed by the Inter-American Development Bank (IDB) for investment in infrastructure, health, education and justice. The remaining 1.6% came from the Central American Bank for Economic Integration (CABEI) and German cooperation.

In 2023, a fiscal policy of robust execution of public expenditure has been maintained, resulting in a deficit equivalent to 0.02% of GDP for the first quarter, following one of 0.2% in the year-earlier period. Total public income was up by 2.1% year-on-year in March 2023. Tax revenues expanded by 1.7% and non-tax income grew by 9.2%, both in real terms. At the end of the first quarter of 2023, total expenditure displayed year-on-year growth of 8.7%, while capital expenditure was 9.1% higher, both in real terms.

(b) Monetary policy

Monetary policy was tightened in 2022 to tackle the surge in inflation. Between May and December 2022, the Bank of Guatemala's monetary policy board lifted the monetary policy interest rate from 1.75% to 3.75%. However, this was not reflected in higher bank interest rates. In 2022, interest rates on bank deposits averaged 3.91% in nominal terms (-2.7% real), slightly lower than in 2021 (4.14% nominal and -0.13% real). The average nominal rate on loans eased by 0.3 of a percentage point from 12.19% in 2021 to 11.92% in 2022 (compared to 7.6% in 2021 and 4.8% in 2022, in real terms). The transmission of monetary policy to the financial system has been hindered by the highly concentrated structure of Guatemala's financial system.

Lending by the financial system to the private sector grew by a nominal 19.7% in 2022, following its 14.5% increase in 2021. Of this, 53.5% was used for consumption, and the remainder was distributed as follows: commerce (12.8%), manufacturing (7%), construction (5.5%), real estate (2.6%) and agriculture (2.3%).

At four consecutive monthly meetings, the monetary board hiked the policy rate from 3.75% at the end of 2022 to 5% in April 2023, owing to persistent price increases in 2022 and 2023. These rate decisions were taken against an international backdrop of high volatility, uncertainty and rising food and fuel prices, generated by tight international financial conditions and prolonged global geopolitical tensions. By the end of the year, inflation is expected to converge to a rate within the target range of 4% ± 1 percentage point.

As of the first quarter of 2023, nominal deposit interest rates averaged 4.03% (-4.9% in real terms), while nominal lending rates stood at 11.92% (2.3% in real terms). As of 30 April 2023, credit to the private sector totalled 192.248 billion quetzales (around US$ 24.503 billion), which was 21.1% more than in the year-earlier period. Consumer credit increased by 24.3% relative to the same period in 2022, while lending to the commerce sector grew by 8.7% and to manufacturing by 26.6%. By the end of the year, credit is forecast to be between 8% and 11% higher than at end-2022.

(c) Exchange rate policy

In 2022 Guatemala's exchange rate regime continued to be one of managed floating. As of 31 December, the average nominal exchange rate stood at 7.85 quetzales per dollar, which represents a slight 1.7% depreciation since the end of 2021, when the rate was 7.72 quetzales per dollar. The real exchange rate index recorded a slight depreciation of 1.2% relative to its 2021 level. In late December 2022, international reserves totalled US$ 20.020 billion, equivalent to 21.4% of GDP and 7.5 months of total imports, and 4.4% lower than at the end of 2021.

On 30 June 2023, the nominal exchange rate stood at 7.85 quetzales per dollar, representing an appreciation of 1.5% since end-December 2022. At the end of May 2023, international reserves totalled US$ 20.044 billion, 1.5% less than at the end of 2022.

(d) Other policies

In 2022, negotiations continued between Guatemala and the Republic of Korea to join the free trade agreement that the latter already has with the other Central American countries. This agreement has been in force since 2016, but Guatemala postponed its accession because the liberalization of certain products affected goods that are sensitive for Guatemalan people. In addition, Ecuador and Guatemala concluded negotiations in September to include new tariff-free products within their existing trade agreement.

On 25 June 2023, Guatemala held general elections to elect a president and vice-president, 160 members of congress, 340 mayors and 20 members of the Central American Parliament. The second round of voting to elect the President and Vice-President of the Republic was held two months later on 20 August.

3. The main variables

(a) The external sector

Goods exports posted annual growth of 14.9% in 2022, driven by increased sales of coffee (+20.2% relative to 2021), bananas (+11.7%) and sugar (+55.2%). These products accounted for 7.1%, 6% and 5.0% of total goods exports, in that order. Exports of traditional, mostly agricultural, products grew by 16%, while those of non-traditional products increased by 14.7%. The non-traditional exports that grew by most included clothing (+16.0%) and cereal-based food products (+25.9%). Of the main destination markets, other Central American countries absorbed 33.7% of Guatemalan exports, while the United States received 31% and Mexico 4.4%. Exports of services increased by 31.9% in 2022 (+11.6% in 2021), boosted by a 154.2% increase in tourism revenues.

Imports grew by 20.7% in value terms year-on-year in 2022, owing mainly to the high international prices of fuel and agricultural products, to a total of US$ 32.124 billion. Imports of services, meanwhile, increased by 33.4% (+43.7% in 2021). Goods and services trade recorded a deficit of US$ 15.789 billion, widening 30.5% compared to 2021; and the goods terms of trade deteriorated by 5.4%.

Remittances totalled US$ 18.04 billion in 2022, equivalent to 18.9% of GDP. This represented growth of 17.9%, which was 16.9 percentage points less than the previous year's 34.9% increase. Foreign direct investment (FDI) flows totalled US$ 1.352 billion in 2022, down by 60.9% on the previous year. The reduction is explained by the comparison base effect and the fact that in 2021 there was an exceptional investment involving the purchase of Guatemala's dominant mobile phone company; the boost in investment came from new projects and from the reinvestment of profits. Nearly half of FDI went to the commerce and financial sectors (28.7% and 19.7%, respectively); and the main source countries were the United States (19.3%), Colombia (18.8%) and Luxembourg (16.3%).

In the first three months of 2023, goods exports were down by 4.8% year-on-year, owing to a sharp fall in sales of coffee (-17.1%) and non-traditional goods (-3.8%). Imports, meanwhile, were 5.5% lower in value terms year-on-year.

As of May 2023, inflows of family remittances attained a cumulative total of US$ 7.798 billion, representing a year-on-year increase of 10.67%. The Bank of Guatemala expects family remittances to reach a level of US$ 20.557 billion in 2023, 6% more than in 2022, while exports should increase by 5.5% and imports are forecast to grow by 7.5%. FDI inflows will be greater in 2023 than in 2022.

(b) Economic activity

In terms of expenditure, private consumption increased in 2022 by 4.2% (following growth of 8.5% in the previous year), while gross fixed investment grew by 3.5% (+19.8% in 2021), and exports expanded by 7.9% (+10.3% in 2021). The growth of consumption responded to the huge volume of remittances flowing into the country, while gross fixed investment was driven by new manufacturing plants and by the buoyancy of the construction sector.

On the supply side, the sectors posting the highest growth rates in 2022 were: accommodation and food service activities (+14.9%), finance and insurance (+8.6%) and administrative services (+8.5%). The expansion of the accommodation and food service sector reflects the rebound in domestic and international tourism activity, while the positive performance of the financial sector is due to increased lending to the private sector and the momentum of auxiliary financial services (credit cards). In the case of administrative services, the positive result is due mainly to the expansion of call centre activities.

Quarterly GDP growth weakened during the course of 2022. The economy grew by 4.8% in the first quarter of the year and by 4.5% in the second, but this slowed to 3.8% and 3.5% in the third and fourth quarters, respectively. Trends in the components of demand varied: household consumption trended up until the second quarter (+5.7%), before slowing in the third and fourth quarters (+4.0% and +2.9%, respectively), while exports declined more sharply (from 12.9% in the second quarter to 2% in the fourth). In contrast, government expenditure rebounded towards the end of the year (growth of 6.8% in the first quarter rising to 10.2% in the fourth); and the expansion of capital formation gathered pace from 3.7% to 6.3% in the same period.

In April 2023, the monthly index of economic activity (IMAE), in its trend-cycle series, displayed a year-on-year increase of 3.4%, compared to 4.5% in the same month of the previous year. This result mainly reflects the slackening of construction, real estate, financial and insurance activities.

(c) Prices, wages and employment

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Table 1
GUATEMALA: MAIN ECONOMIC INDICATORS

	2014	2015	2016	2017	2018	2019	2020	2021	2022 a/
	Annual growth rates b/								
Gross domestic product	4.4	4.1	2.7	3.1	3.4	4.0	-1.8	8.0	4.1
Per capita gross domestic product	2.5	2.2	0.9	1.3	1.7	2.5	-3.2	6.5	2.7
Gross domestic product, by sector									
Agriculture, livestock, hunting, forestry and fishing	1.6	2.6	2.4	3.3	2.5	1.7	-0.1	4.3	2.6
Mining and quarrying	46.6	4.2	-9.1	-29.3	-31.1	3.4	-1.7	8.8	-3.8
Manufacturing	3.4	3.7	3.0	3.0	3.3	3.2	-0.6	8.1	3.6
Electricity, gas and water	6.5	0.6	3.8	5.4	3.1	-1.2	1.7	5.7	6.3
Construction	7.5	1.6	-0.3	3.0	5.3	9.8	-2.4	11.1	7.3
Wholesale and retail commerce, restaurants and hotels	3.8	4.2	3.2	3.3	2.9	4.3	-2.9	9.7	4.7
Transport, storage and communications	2.7	5.4	3.5	4.1	4.0	4.3	-4.7	7.7	3.7
Financial institutions, insurance, real estate and business services	4.6	5.3	3.1	3.8	4.7	4.7	1.0	7.4	6.4
Community, social and personal services	4.1	3.7	2.4	2.7	3.2	2.5	-3.4	6.7	2.6
Gross domestic product, by type of expenditure									
Final consumption expenditure	4.4	4.7	3.2	3.1	4.0	4.4	-1.3	8.0	4.6
Government consumption	3.6	0.9	-3.1	2.1	7.6	2.3	1.0	4.9	7.2
Private consumption	4.5	5.1	4.1	3.3	3.5	4.7	-1.6	8.5	4.2
Gross capital formation	-1.3	1.4	-4.0	4.2	9.8	8.0	-34.6	27.8	-1.5
Exports (goods and services)	6.9	2.8	2.4	1.5	-0.4	0.2	-7.5	10.3	7.0
Imports (goods and services)	3.4	3.6	0.9	2.8	3.9	4.9	-5.8	19.5	4.4
Investment and saving c/	**Percentages of GDP**								
Gross capital formation	15.1	14.8	13.9	13.6	13.8	14.3	13.5	16.9	16.7
National saving	11.8	13.6	14.8	14.8	14.7	16.7	18.6	19.1	18.0
External saving	3.3	1.2	-1.0	-1.2	-0.9	-2.4	-5.1	-2.2	-1.4
Balance of payments	**Millions of dollars**								
Current account balance	-1 909	-774	637	857	650	1 822	3 924	1 892	1 319
Goods balance	-6 782	-6 439	-6 077	-6 791	-7 985	-7 967	-6 314	-10 928	-14 186
Exports, f.o.b.	9 375	9 085	8 973	9 651	9 644	9 919	10 127	12 361	14 282
Imports, f.o.b.	16 157	15 524	15 050	16 442	17 629	17 885	16 441	23 289	28 468
Services trade balance	74	81	222	291	166	38	-236	-1 169	-1 603
Income balance	-1 517	-1 486	-1 425	-1 501	-1 502	-1 404	-1 404	-2 126	-1 853
Net current transfers	6 316	7 071	7 917	8 858	9 971	11 155	11 878	16 115	18 961
Capital and financial balance d/	2 035	1 279	787	1 743	338	-23	-736	917	-1 286
Net foreign direct investment	1 388	1 048	965	934	780	796	786	2 986	963
Other capital movements	647	231	-178	809	-442	-820	-1 521	-2 069	-2 250
Overall balance	126	505	1 424	2 600	988	1 798	3 189	2 809	33
Variation in reserve assets e/	-126	-505	-1 424	-2 600	-988	-1 798	-3 189	-2 809	-33
Other external-sector indicators									
Real effective exchange rate (index: 2015=100) c/	105.3	100.0	94.4	89.5	89.5	89.3	86.2	86.8	87.2
Terms of trade for goods (index: 2018=100) f/	97.0	102.2	110.3	104.5	100.0	98.8	106.2	102.0	95.9
Net resource transfer (millions of dollars)	518	-207	-639	242	-1 164	-1 427	-2 139	-1 209	-3 139
Total gross external debt (millions of dollars)	21 577	22 235	23 333	24 928	24 378	24 489	24 939	25 847	23 206

Table 1 (concluded)

	2014	2015	2016	2017	2018	2019	2020	2021	2022 a/
Employment g/	**Average annual rates**								
Labour force participation rate	60.9	60.7	60.8	61.0	60.6	59.2	...	63.0	60.2
Unemployment rate	2.9	2.6	2.7	2.5	2.4	2.2	...	2.2	3.0
Prices	**Annual percentages**								
Variation in consumer prices (December-December)	2.9	3.1	4.2	5.7	2.3	3.4	4.8	3.1	9.2
Variation in nominal exchange rate (annual average)	-1.5	-1.0	-0.7	-3.3	2.3	2.4	0.3	0.2	0.2
Nominal deposit rate h/	5.5	5.5	5.5	5.4	5.2	5.0	4.6	4.1	3.9
Nominal lending rate i/	13.8	13.2	13.1	13.1	12.9	12.7	12.5	12.2	11.9
Central government	**Percentages of GDP**								
Total revenue	11.7	11.1	11.5	11.4	11.3	11.2	10.7	12.4	12.7
Tax revenue	11.3	10.8	11.2	11.1	11.0	10.9	10.5	12.1	12.4
Total expenditure	13.6	12.6	12.6	12.8	13.2	13.4	15.6	13.5	14.4
Current expenditure	10.6	10.3	10.4	10.5	10.6	10.7	12.6	11.2	11.9
Interest	1.5	1.6	1.5	1.5	1.5	1.6	1.7	1.7	1.7
Capital expenditure	3.0	2.2	2.2	2.3	2.6	2.7	3.0	2.4	2.5
Primary balance	-0.4	0.1	0.4	0.1	-0.3	-0.6	-3.2	0.6	0.0
Overall balance	-1.9	-1.5	-1.1	-1.4	-1.9	-2.2	-4.9	-1.2	-1.7
Central government public debt	24.6	24.8	24.9	25.1	26.4	26.4	31.5	30.7	29.1
Domestic	12.8	12.6	12.7	13.1	14.9	14.7	18.0	17.9	17.3
External	11.8	12.1	12.3	12.0	11.5	11.7	13.5	12.9	11.8
Money and credit	**Percentages of GDP, end-of-year stocks**								
Domestic credit	39.2	40.6	40.5	38.6	38.6	36.8	39.6	38.6	40.5
To the public sector	8.9	8.6	7.9	7.5	8.9	9.4	11.9	10.4	9.5
To the private sector	33.5	35.3	35.7	35.2	35.0	34.1	35.9	35.8	36.8
Others	-3.2	-3.3	-3.1	-4.1	-5.4	-6.6	-8.2	-7.6	-5.8
Monetary base	10.5	10.9	11.8	12.6	12.9	13.3	17.2	17.4	16.8
Money (M1)	15.6	16.2	16.3	17.1	17.7	18.5	23.0	23.1	23.3
M2	35.9	37.4	38.1	39.8	41.4	42.9	50.3	49.8	49.7
Foreign-currency deposits	12.1	11.9	11.5	11.0	11.8	10.8	12.5	11.3	9.4

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

	2021				2022				2023	
	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/	4.5	15.4	8.2	4.9	4.8	4.5	3.8	3.5	...	...
Net international reserves (millions of dollars)	18 438	18 826	19 597	20 764	20 800	20 564	20 776	20 181	20 172	20 104 c/
Real effective exchange rate (index: 2005=100) d/	85.8	86.5	87.2	87.6	88.0	87.6	86.3	86.3	86.4	...
Consumer prices (12-month percentage variation)	5.8	3.9	3.7	3.1	4.2	7.6	9.0	9.2	8.7	4.9
Average nominal exchange rate (quetzales per dollar)	7.8	7.7	7.7	7.7	7.7	7.7	7.8	7.9	7.8	7.8
Nominal interest rates (average annualized percentages)										
Deposit rate e/	4.3	4.2	4.1	4.0	3.9	3.9	3.9	3.9	4.0	4.1 f/
Lending rate g/	12.3	12.3	12.1	12.0	11.9	12.0	12.0	11.8	11.9	12.0
Interbank rate	1.6	1.6	1.6	1.6	1.6	1.7	...	...	4.1	4.8
Monetary policy rates	1.8	1.8	1.8	1.8	1.8	2.0	2.7	3.5	4.5	5.0
Sovereign bond spread, Embi Global (basis points to end of period) h/	237.09	231.14	270.422	271.334	260	361	333	210	237	234
International bond issues (millions of dollars)	300	700	1 000	-	1 100	-	500	-	100	1 000
nestic credit (variation from same ıarter of preceding year)	8.6	12.1	10.5	8.0	9.5	12.8	13.8	17.2	15.4	14.0 f/

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 2013 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/ Figures as of April.
g/ Weighted average of the system lending rates in local currency.
h/ Measured by J.P.Morgan.

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