Guatemala

The Economic Commission for Latin America and the Caribbean (ECLAC) calculates that economic activity in Guatemala will grow by 5.4% in 2021, compared to a contraction of 1.5% in 2020. The expansion is attributable to the lifting of the restrictions imposed to tackle the coronavirus disease (COVID-19) pandemic, rising family remittances, robust public spending and the growth of the United States economy.

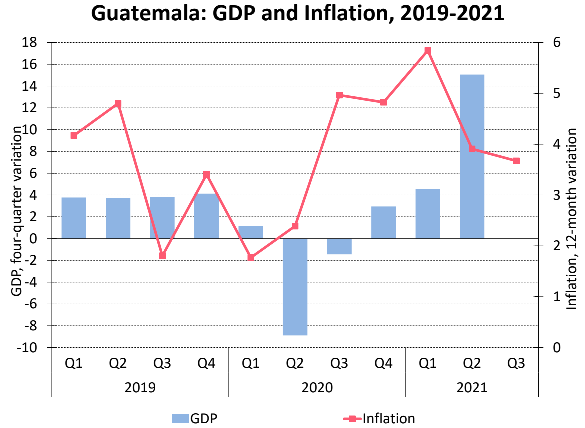
At the end of 2021, the current account balance is expected to post a surplus of only 4.5% of gross domestic product (GDP) (against 5.1% in 2020), as the uptick in family remittance flows and exports will be offset by rising imports. The central government will close the year with a deficit of 2.1% of GDP (compared to 4.9% in 2020), as tax revenues increased in the first half of the year and budgeted spending slowed. Year-on-year inflation is expected to be 4.5% at year’s end (compared to 4.82% in 2020), mainly on account of rising international fuel and food prices. The National Employment and Income Survey (ENEI) was not conducted in 2020 and, to date, no data have been published for 2021. In October 2021, the number of contributors to the social security system posted a year-on-year drop of 8.6%.

In the first 11 months of 2021, total central government revenues recorded a real-term year-on-year increase of 29.8%, with notable upticks in tax revenues (a real-term 30.8%) and, to a lesser extent, in non-tax revenues (8.4%). Among direct tax revenues, income tax posted a real-term increase of 41.7%, while among indirect taxes, value added tax receipts rose by 32.5% in real terms. In addition to the rebound in economic activity and the base effect, the higher collections can be attributed to improvements in taxpayer service, the adoption of measures to facilitate payments, electronic invoicing and customs oversight.

Between January and September 2021, total central government spending recorded a year-on-year real-term drop of 0.9%, with almost the same current spending (0.2%) and lower capital expenditure (-5.9%), mainly because the fiscal stimulus programmes introduced the previous year were no longer available. In 2021, significant spending was allocated for vaccine purchases, the roll-out of the vaccination programme, pandemic-related medical care and the reconstruction of infrastructure damaged by Hurricanes Eta and Iota.

In November 2021, non-financial public sector debt stood at 31.7% of GDP (compared to 31.3% at the close of 2020). External debt accounted for 13.3% of GDP, with domestic debt making up the remaining 18.4%. Service payments took up 18.2% of total central government revenues, 2.8 percentage points down in year-on-year terms. Notable among the country’s debt financing efforts were the renegotiation of treasury bonds issued in the domestic market and the placement of two Eurobond issues worth US$ 1 billion: one with a 10-year maturity and an annual

Guatemala: GDP and Inflation, 2019-2021



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

rate of 3.6%, and the other over 20 years at an annual rate of 4.2%. No financing from multilateral institutions has been approved so far this year.

Since 24 June 2020, the central bank has held the monetary policy rate at 1.75%, on the basis that, although demand for goods has increased, price increases due to supply constraints have eased. In the third quarter of 2021, the financial system's real lending rate was 8.1% (the same as in the third quarter of 2020), while the real deposit rate was 0.4% (down from 0.5% in 2020). In November 2021, banking system loans to the private sector recorded an average year-on-year increase of 10.1% in real terms (against 4.3% in the same period of 2020).

The average nominal exchange rate on 30 November 2021 was 7.73 quetzales to the United States dollar, for a nominal depreciation of 0.8% since 31 December 2020. In real terms, the exchange rate depreciated by 1.7% in the third quarter of 2021. Net international reserves totalled US$ 20,701,800,000 on 30 November 2021, 12.8% higher than in November 2020, equal to 9.45 months' imports.

Guatemala: main economic indicators, 2019-2021

	2019	2020	2021 [a]
	Annual growth rate		
Gross domestic product	3.9	-1.5	5.4
Per capita gross domestic product	1.9	-3.4	3.5
Consumer prices	3.4	4.8	3.7 [b]
Real average wage [c]	...	...	...
Money (M1)	11.6	20.7	20.6 [d]
Real effective exchange rate [e]	-1.2	-2.9	1.1 [b]
Terms of trade	0.6	7.4	-0.9
	Annual average percentage		
Open urban unemployment rate	2.2	...	...
Central government			
Overall balance / GDP	-2.2	-4.9	...
Nominal deposit rate [f]	5.0	4.6	4.2 [b]
Nominal lending rate [g]	12.7	12.5	12.2 [b]
	Millions of dollars		
Exports of goods and services	13 599	12 739	15 536
Imports of goods and services	21 517	19 314	26 447
Current account balance	1 791	3 938	3 515
Capital and financial balance [h]	7	-749	...
Overall balance	1 798	3 189	...

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
a/ Estimates.
b/ Figures as of September.
c/ Average wage declared by workers covered by social security.
d/ Figures as of August.
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.

In the first 11 months of 2021, the value of total goods exports rose by 22.5% in year-on-year terms, while the value of imports increased by 46.5%; this result is connected to the increase in oil and fuel prices. Coffee exports —the country's main export product— increased by 7.3% in value terms, while exports of apparel, edible fats and oils, bananas, and iron and steel rose by 11.5%, 6.6%, 6.2% and 4.4%, respectively. Imports of consumer goods increased by 51.1% during the first 11 months of the year, and imports of capital goods by 30.1%; at the same time, imports of oil and fuels grew by 83.5%. The 2021 terms of trade deteriorated by 6.1% with respect to the 2020 result.

Net foreign direct investment (FDI) flows into Guatemala totalled US$ 821.5 million in the third quarter of 2021. This result, representing a year-on-year increase of 49.5%, was mainly on account of profit reinvestments by companies established in the country.

GDP grew by 9.8% in year-on-year terms over the first six months of the year, with positive performances across all sectors. The three with the largest increases were hotels and restaurants (22.6%), the health sector (22%) and transport (15.1%), while the sectors that experienced the lowest growth were, in ascending order, public administration and defence (1.2%), agriculture, livestock, hunting and fishing (2.6%) and real estate (4.6%). On the demand side, the most dynamic components were imports (25.3%), followed by gross fixed investment (23.7%) and private consumption (10.4%). According to seasonally adjusted figures from the Monthly Economic Activity Index (IMAE), economic activity posted a year-on-year growth of 7.3% in August 2021.

In November 2021, year-on-year inflation stood at 2.89%, below the central bank's target range of between 4.0% and 6.0%. The goods and services categories reporting the largest price increases were transport (10.66%), alcoholic beverages and tobacco (1.84%), furniture and household items (2.68%) and foodstuffs and non-alcoholic beverages (2.15%). Rising international fuel and food prices have placed upward pressure on domestic prices.

In 2021, the nominal minimum wage remained unchanged in all categories over their 2020 levels. In real terms, however, the minimum wage fell by an average of 7.3% between 1 January 2020 and 30 November 2021.

ECLAC estimates that economic activity in Guatemala will expand at an annual rate of 4.3% in 2022, largely on the back of external demand. The fiscal deficit is expected to reach 2.8% of GDP because of increased public spending in the first half of an election year. Calculations of the current account balance promise a positive result of 4.2% of GDP, given slower import growth, and the year is expected to close with inflation at around 4.5%, with the restoration of pre-pandemic levels of production and supply.