

GUATEMALA

1. General trends

Guatemala's real GDP grew by 3.5% in 2023, 0.7 percentage points less than the 4.2% growth recorded in 2022. This slowdown is the result of a reduction in exports, albeit tempered by stronger domestic demand, which was fuelled by an increase in family remittances and credit to the private sector.

Year-on-year inflation eased down to 4.2% in December 2023 (5.1 percentage points less than at year-end 2022), thanks to lower international energy and food prices. The central government fiscal deficit was equivalent to 1.3% of GDP, compared to 1.7% in 2022. Public spending slowed after reaching a peak for the year in April 2023, and income exceeded the annual target. Supported by higher remittance inflows, the current account recorded a surplus for the eighth consecutive year, of 3.0% of GDP, compared to 1.3% in 2022. The 2023 open unemployment rate had not been published at the time of writing, but the number of persons affiliated to the Guatemalan Social Security Institute was up by 5.1% year-on-year.

The Economic Commission for Latin America and the Caribbean projects economic activity in Guatemala to grow by 3.4% in 2024. This represents a slight slowdown resulting from weaker growth in both remittance and export flows, owing to slower growth expected in the economy of the United States, the country's main trading partner and source of remittances. On the domestic demand side, public spending and private investment are both expected to weaken. The central government deficit is forecast to close the year at around 1.6% of GDP, thanks to continued prudent management of public finances by the new government and a gradual reduction of the fiscal deficit in the medium term. The current account surplus is forecast to represent about 2.8% of GDP, thanks to remittances and a rebound in the value of exports, partially offset by an increase in imports of goods and services. Year-on-year inflation (December–December) is likely to remain within the central bank's target range, at around 3.8%. The open unemployment rate could rise slightly in 2024, as economic growth slows. The economy is projected to grow by 3.2% in 2025.

2. Economic policy

(a) Fiscal policy

In early 2023, fiscal policy was expansionary, with public spending rising in the first four months of the year. This reflected expenditure on campaigns for the general elections later in the year and the infrastructure needed for polling day, as well as disbursements on infrastructure and programmes to support citizens who served in the military during the armed conflict. Other programmes, such as support for persons affected by calamities, and the social tariff for electricity, also boosted spending. The pace of expansion slowed from May onward, while income exceeded the growth target set at the start of the year, thus reducing the fiscal deficit. Total income increased by 2.4% in real terms relative to the 2022 level, to represent 12.4% of GDP. Tax revenues grew by 1.6% and non-tax income was up by 21.7%, in real terms, thanks to an improvement in the collection of customs revenues and the sale of radio frequencies. Tax revenue and non-tax income represented 11.7% and 0.7% of GDP, respectively. In the case of direct taxes, income tax revenue grew by most (4.5% in real terms), while, among indirect taxes, revenue from the tax on non-personal services increased by 7.8%. Total expenditure was virtually unchanged in real terms (up by 0.03%), as a 5.6% increase in capital spending was offset by a 1.1% reduction in current expenditure.

Total expenditure accounted for 13.7% of GDP, with current and capital expenditure representing 11.2% and 2.5% of GDP, respectively.

Relative to GDP, the total public debt decreased from 28.8% in 2022 to 27.7% in 2023, owing mainly to a reduction in domestic debt and an upward revision of nominal GDP. Domestic public debt fell by 1.9 percentage points to 15.3% of GDP, while external public debt edged up by 0.8 points to 12.4% of GDP. To meet its financing needs, the central government drew mainly on external sources —amid lower international financing costs— in contrast to previous years, when domestic bond issuance covered the deficit for the fiscal year. In June 2023, Eurobonds amounting to US\$ 1 billion, or approximately 7.833 billion quetzales (0.96% of GDP) were issued, while in September 2023, an additional debt issue amounted to US\$ 565 million or 4.436 billion quetzales (0.54% of GDP).

In the early months of 2024, as a new government took office, the pace of budget execution slowed. In particular, contracts in the Ministry of Communications, Infrastructure and Housing have been revised. A surplus equivalent to 0.3% of GDP was recorded in the first quarter, compared to a deficit of 0.01% in the year-earlier period. Total public income displayed real year-on-year growth of 1.7% in March 2024. Tax revenues were up by 3.9% in real terms, while non-tax income was 33.5% lower. In the first quarter of 2024, total expenditure declined by 9.1% year-on-year, while capital expenditure was 33.8% higher, both in real terms.

(b) Monetary policy and exchange-rate policy

The monetary policy adopted in 2023 was initially restrictive in order to tackle the inflationary surge. The monetary policy board of the Bank of Guatemala raised its monetary policy interest rate from 4.25% in January 2023 to 5.0% in April 2023. Monetary policy decisions were influenced by an international context of high volatility, uncertainty and rising food and fuel prices, owing to tight international financial conditions and prolonged global geopolitical tensions.

In 2023, the average nominal interest rate on bank deposits was 4.2% (-1.9% in real terms), which was higher than the 3.9% nominal and -2.7% real rates prevailing in the previous year. The average nominal lending rate rose slightly from 11.92% in 2022 to 11.96% in 2023 (equivalent in real terms to 4.8% and 5.4%, respectively). The transmission of monetary policy to the financial system has been slow owing to the latter's highly concentrated structure. One of the priority channels of the inflation-targeting strategy is the formation of inflationary expectations, which moderated at the end of the year. For example, in April 2023, inflation was expected to hit 7.0% by year-end, but in October expectations had receded to 5.5%. The Bank of Guatemala also engages in weekly open market operations to support monetary policy.

In the financial system, credit to the private sector grew by 6.6% in nominal terms in 2023, compared to the 9.8% increase the previous year. Of total loans, 54.3% funded consumption, while the rest were distributed as follows: commerce (11.7%), manufacturing (6.7%), construction (5%), real estate (0.6%) and agriculture (2%).

In the first five months of 2024, the monetary policy interest rate remained unchanged, even though inflationary pressures eased both domestically and abroad. In July 2024, nominal rates on deposits were 4.97% (1.19% in real terms) and rates on loans were 12.38% (8.60% in real terms). As at 30 June 2024, the balance of credit to the private sector totalled 234.845 billion quetzales (approximately US\$ 30.244 billion), 18.4% more than a year earlier. Credit to the manufacturing sector increased by 13.9% relative to the same period in 2023, with consumer credit 9.5% higher, and lending to the construction sector up by 9.2%.

(c) Exchange rate policy

Guatemala's exchange rate remained in a managed floating regime in 2023. As at 31 December, the average nominal exchange rate was 7.83 quetzales per dollar, representing a slight appreciation (0.3%) from the end of 2022, when it was trading at 7.85 quetzales per dollar. The real exchange-rate index appreciated slightly, by 0.9% compared to the 2022 level. In late December 2023, the country's international reserves totalled US\$ 21.319 billion, equivalent to 7.9 months of total imports, a nominal increase of 6.5% relative to the end of 2022.

On 31 July 2024, the nominal exchange rate stood at 7.75 quetzales per dollar, representing a 1.0% appreciation compared to the end of December 2023. In late July 2024, the country's international reserves totalled US\$ 22.139 billion, representing growth of 3.8% compared to end-2023. In order to reduce nominal exchange-rate volatility, the central bank intervened in the foreign exchange market, through the participation rule, making net purchases of foreign currency totalling US\$ 18.1 million up to 31 March 2024.

(d) Other policies

On 29 November 2023, the Guatemalan Congress ratified the free trade agreement between Guatemala and Israel, which entered into force on 1 March 2024.

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 took place on 20 August 2023; and, on 15 January 2024, Bernardo Arévalo was sworn in as President of Guatemala.

3. The main variables**(a) The external sector**

Goods exports retreated by 9.3% in 2023, owing mainly to a decline in exports of traditional goods (11.6%) such as coffee (down by 15%) and sugar (down by 24.4%). These two products accounted for 6.7% and 4.2% of total goods exports, respectively. Non-traditional exports decreased by 8.7% overall, led by chemical products (down by 45.4%) and fresh vegetables and legumes (down by 20.6%). Maquila shipments were also 22.4% lower than in 2022. The main destination export markets were other Central American countries (35.8%), the United States (33.1%) and Mexico (4.7%). Exports of services grew by 5.4% in 2023 (following a 32.8% expansion in 2022), boosted by a 29.6% rise in tourism revenues.

Imports totalled US\$ 30.319 billion in 2023, down by 5.6% in real terms year-on-year, owing mainly to a drop in average import prices rather than smaller import volumes. Imports of services, meanwhile, grew by 10% (compared to a 34.7% increase in 2022). The goods and services deficit, at US\$ 15.732 billion, was 0.4% less than in 2022, while the merchandise terms of trade rose by 0.6% in favour of Guatemala's trade basket.

In 2023, family remittances totalled US\$ 19.804 billion, representing growth of 9.8%, which was significantly less than in 2022 (17.9%). Foreign direct investment (FDI) flows totalled US\$ 1.552 billion, 7.6% more than in 2022. Most of these flows represented the reinvestment of profits. Nearly 70% of FDI was shared between the financial sector (29.9%), commerce (20.5%) and manufacturing (19.5%). The main FDI source countries were Panama (31%), the United States (15.4%) and Mexico (14.9%).

In the first five months of 2024, goods exports were down by 1.8% year-on-year, owing to a sharp drop in foreign sales of coffee (down by 13.4%) and sugar (down by 12.0%). In contrast, imports were up by 8.1% in value year-on-year. In July 2024, cumulative family remittances totalled US\$ 12.09 billion, representing year-on-year growth of 7.0%.

(b) Economic activity

With regard to expenditure, private consumption increased by 4.4% in 2023, compared to growth of 4.3% in 2022, while gross fixed investment grew by 7.4% (4.3% in 2022). Exports of goods and services, overall, decreased by 2.5%, owing mainly to softer external demand (after increasing by 7.5% in 2022). Consumption was buoyed by strong inflows of family remittances, while gross fixed investment was driven by imports of capital goods, particularly for transportation and agriculture, and also by the construction of private buildings (both residential and non-residential), along with road infrastructure and public buildings.

Regarding supply, the sectors displaying the strongest growth in 2023 were financial activities and insurance (10.3%), accommodation and food (6.5%) and professional services (4.2%). The expansion of the financial sector is associated with an increase in the credit portfolio and the activities of auxiliary financial services (credit cards), while the positive performance of the accommodation and food sector reflects an increase in the supply of food services and a larger flow of domestic and foreign tourists. In the case of professional services, the strong performance reflects the expansion of public and private education and an increase in the supply of cultural and recreational services.

Quarterly GDP recorded year-on-year growth of 4% or above in each of the first three quarters of 2023, before slackening to 2% in the last quarter. The components of demand behaved erratically: household consumption growth accelerated from 3.6% in the first quarter to 5.0% in the third quarter, before easing slightly in the fourth quarter (4.7%); in contrast, export growth slowed more abruptly towards the end of the year (from an increase of 2.8% in the first quarter to a decrease of 5.3% in the fourth). Government spending increased in the first and second quarters (by 10.9% and 14.9%, respectively), before slowing sharply in the second half of the year (up by 1.3% in the third quarter and down by 9.5% in the fourth).

The Monthly Index of Economic Activity, in its original series, recorded average year-on-year growth of 3.6% in the first five months of 2024. Although less than the 3.9% increase in the year earlier period, this positive performance was driven by the buoyancy of commerce, financial, insurance and real estate activities.

(c) Prices, wages and employment

In 2023, inflation dropped sharply in the second half of the year relative to 2022. Between January and April 2023, year-on-year inflation was around 9.0%, but from May onward dropped to below 5.0%. In December, the year-on-year rate stood at 4.2%, reflecting a combination of factors such as the dissipation of negative and external supply shocks in a tight monetary policy environment. The sectors with the highest annual price increases were restaurants and accommodation services (8.7%), food and non-alcoholic beverages (8.5%) and personal care and social protection (3.7%).

The open unemployment rate for 2023 had not been published at the time of writing. However, data from the Guatemalan Social Security Institute show a 5.1% increase in the total number of affiliates in 2023 (following growth of 6.6% the previous year).

Nominal minimum wages rose in 2023 relative to year-earlier levels. The monthly minimum wage for agricultural activities was set at 3,323.6 quetzales (US\$ 425.4) in the department of Guatemala and 3,237.53 quetzales (US\$ 414.39) in all other departments; in the non-agricultural sector it was set at 3,416.38 quetzales (US\$ 437.28) in the department of Guatemala and 3,327.56 quetzales (US\$ 425.92) elsewhere. For maquila activities, the minimum wage was set at 3,143.54 quetzales per month (US\$ 402.36) in the department of Guatemala and 3,062.63 quetzales per month (US\$ 392.01) elsewhere. In real terms, the monthly minimum wage rose by 11.6% in the department of Guatemala and by 8.7% elsewhere, relative to the corresponding 2022 levels.

In July 2024, year-on-year inflation stood at 3.8%, with the prices of food and alcoholic beverages, restaurants and hotels, and recreation and culture reporting the greatest increases, of 8.1%, 6.4% and 3.6%, respectively

Table 1
GUATEMALA: MAIN ECONOMIC INDICATORS

	2015	2016	2017	2018	2019	2020	2021	2022	2023 a/
	Annual growth rates b/								
Gross domestic product	4.1	2.7	3.1	3.4	4.0	-1.8	8.0	4.2	3.5
Per capita gross domestic product	2.2	0.9	1.3	1.7	2.5	-3.2	6.5	2.8	2.1
Gross domestic product, by sector									
Agriculture, livestock, hunting, forestry and fishing	2.6	2.4	3.3	2.5	1.7	-0.1	4.2	2.8	2.2
Mining and quarrying	4.2	-9.1	-29.3	-31.1	3.4	-1.7	8.7	-4.2	-11.7
Manufacturing	3.7	3.0	3.0	3.3	3.2	-0.6	8.2	3.8	1.9
Electricity, gas and water	0.6	3.8	5.4	3.1	-1.2	1.7	5.7	6.4	-1.1
Construction	1.6	-0.3	3.0	5.3	9.8	-2.4	10.8	7.5	3.5
Wholesale and retail commerce, restaurants and hotels	4.2	3.2	3.3	2.9	4.3	-2.9	9.9	4.6	3.7
Transport, storage and communications	5.4	3.5	4.1	4.0	4.3	-4.7	7.7	2.7	2.0
Financial institutions, insurance, real estate and business services	5.3	3.1	3.8	4.7	4.7	1.0	7.3	6.3	5.2
Community, social and personal services	3.7	2.4	2.7	3.2	2.5	-3.4	6.7	3.2	2.8
Gross domestic product, by type of expenditure									
Final consumption expenditure	4.7	3.3	3.1	4.0	4.5	-1.3	8.1	4.6	4.3
Government consumption	0.9	-3.1	2.1	7.6	2.3	1.0	4.6	7.2	3.3
Private consumption	5.1	4.1	3.3	3.5	4.7	-1.6	8.5	4.3	4.4
Gross capital formation	1.4	-4.0	4.2	9.8	8.0	-35.7	27.8	-1.2	9.6
Exports (goods and services)	2.8	2.4	1.5	-0.4	0.2	-7.5	10.2	7.5	-2.5
Imports (goods and services)	3.6	0.9	2.8	3.9	4.9	-5.8	19.5	4.8	5.9
Investment and saving c/	Percentages of GDP								
Gross capital formation	14.8	13.9	13.6	13.8	14.3	13.5	16.8	16.6	16.4
National saving	13.6	14.8	14.8	14.7	16.7	18.6	19.0	17.8	19.6
External saving	1.2	-1.0	-1.2	-0.9	-2.4	-5.0	-2.2	-1.3	-3.1
Balance of payments	Millions of dollars								
Current account balance	-774	637	857	650	1 822	3 924	1 873	1 197	3 281
Goods balance	-6 439	-6 077	-6 791	-7 985	-7 967	-6 314	-10 928	-14 300	-14 329
Exports, f.o.b.	9 085	8 973	9 651	9 644	9 919	10 127	12 361	14 254	13 035
Imports, f.o.b.	15 524	15 050	16 442	17 629	17 885	16 441	23 289	28 554	27 364
Services trade balance	81	222	291	166	38	-236	-1 169	-1 499	-1 404
Income balance	-1 486	-1 425	-1 501	-1 502	-1 404	-1 404	-2 137	-1 997	-1 805
Net current transfers	7 071	7 917	8 858	9 971	11 155	11 878	16 107	18 993	20 819
Capital and financial balance d/	1 279	787	1 743	338	-23	-736	935	-1 164	-2 374
Net foreign direct investment	1 048	965	934	780	796	786	2 986	719	888
Other capital movements	231	-178	809	-442	-820	-1 521	-2 050	-1 883	-3 261
Overall balance	505	1 424	2 600	988	1 798	3 189	2 809	33	908
Variation in reserve assets e/	-505	-1 424	-2 600	-988	-1 798	-3 189	-2 809	-33	-908
Other external-sector indicators									
Real effective exchange rate (index: 2015=100) c/	100.0	94.4	89.5	89.5	89.3	86.2	86.8	87.1	157.8
Terms of trade for goods f.o.b./f.o.b. (Annual growth rates)	5.3	8.0	-5.2	-4.3	-1.2	7.4	-3.9	-5.9	1.4
Net resource transfer (millions of dollars)	-207	-639	242	-1 164	-1 427	-2 139	-1 201	-3 161	-4 178
Total gross external debt (millions of dollars)	22 235	23 333	24 928	24 378	24 489	24 938	25 817	24 280	24 446

Table 1 (concluded)

	2015	2016	2017	2018	2019	2020	2021	2022	2023 a/
Employment g/	Average annual rates								
Labour force participation rate	60.7	60.8	61.0	60.6	59.2	...	63.0	60.2	...
Unemployment rate	2.6	2.7	2.5	2.4	2.2	...	2.2	3.0	...
Prices	Annual percentages								
Variation in consumer prices (December-December)	3.1	4.2	5.7	2.3	3.4	4.8	-40.9	9.2	4.2
Variation in nominal exchange rate (annual average)	-1.0	-0.7	-3.3	2.3	2.4	0.3	0.2	0.2	1.0
Nominal deposit rate h/	5.5	5.5	5.4	5.2	5.0	4.6	4.1	3.9	4.2
Nominal lending rate i/	13.2	13.1	13.1	12.9	12.7	12.5	12.2	11.9	12.0
Central government	Percentages of GDP								
Total revenue	11.1	11.5	11.4	11.3	11.2	10.7	12.4	12.7	12.8
Tax revenue	10.8	11.2	11.1	11.0	10.9	10.5	12.1	12.4	12.3
Total expenditure	12.6	12.6	12.8	13.2	13.4	15.6	13.5	14.4	14.0
Current expenditure	10.3	10.4	10.5	10.6	10.7	12.6	11.2	11.9	11.5
Interest	1.6	1.5	1.5	1.5	1.6	1.7	1.7	1.7	1.7
Capital expenditure	2.2	2.2	2.3	2.6	2.7	3.0	2.4	2.5	2.6
Primary balance	0.1	0.4	0.1	-0.3	-0.6	-3.2	0.6	0.0	0.4
Overall balance	-1.5	-1.1	-1.4	-1.9	-2.2	-4.9	-1.2	-1.7	-1.3
Central government public debt	24.8	24.9	25.1	26.4	26.4	31.5	30.7	29.2	27.9
Domestic	12.6	12.7	13.1	14.9	14.7	18.0	17.9	17.3	15.7
External	12.1	12.3	12.0	11.5	11.7	13.5	12.9	11.8	12.2
Money and credit	Percentages of GDP, end-of-year stocks								
Domestic credit	40.6	40.5	38.6	38.6	36.8	39.6	38.4	40.3	38.5
To the public sector	8.6	7.9	7.5	8.9	9.4	11.9	10.3	9.4	7.8
To the private sector	35.3	35.7	35.2	35.0	34.1	35.9	35.7	36.6	37.1
Others	-3.3	-3.1	-4.1	-5.4	-6.6	-8.2	-7.6	-5.7	-6.4
Monetary base	10.9	11.8	12.6	12.9	13.3	17.2	17.3	16.7	16.7
Money (M1)	16.2	16.3	17.1	17.7	18.5	23.0	23.0	23.1	22.7
M2	37.4	38.1	39.8	41.4	42.9	50.3	49.6	49.4	48.0
Foreign-currency deposits	11.9	11.5	11.0	11.8	10.8	12.5	11.2	9.3	8.4

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

	2022				2023				2024	
	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/	4.7	4.8	3.9	3.4	4.0	4.1	4.0	2.0
Net international reserves (millions of dollars)	19 001	18 831	19 147	18 633	18 970	19 624	18 957	20 101	19 959	...
Real effective exchange rate (index: 2005=100) c/	88.0	87.6	86.3	86.3	158.0	110.1	107.4	108.4	106.0	110.4 d/
Consumer prices (12-month percentage variation)	4.2	7.6	9.0	9.2	8.7	4.9	4.7	4.2	3.2	3.6
Average nominal exchange rate (quetzales per dollar)	7.7	7.7	7.8	7.9	7.8	7.8	7.9	7.8	7.8	7.8
Nominal interest rates (average annualized percentages)										
Deposit rate e/	3.9	3.9	3.9	3.9	4.0	4.1	4.2	4.4	4.7	...
Lending rate f/	11.9	12.0	12.0	11.8	11.9	12.0	12.0	12.0	12.2	...
Interbank rate	1.6	1.7	3.9	3.9	3.9	4.6	4.7	...
Monetary policy rates	1.8	2.0	2.7	3.5	4.5	5.0	5.0	5.0	5.0	...
Sovereign bond spread, Embi Global (basis points to end of period) g/	260	361	333	210	237	234	228	210	193	...
International bond issues (millions of dollars)	1 100	-	500	-	75	1 025	565	-	-	-
Domestic credit (variation from same quarter of preceding year)	9.5	12.8	13.8	17.2	15.4	12.6	10.2	5.8	1.2	...

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

d/ Figures as of April.

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

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

g/ Measured by J.P.Morgan.