

Guatemala

The Economic Commission for Latin America and the Caribbean (ECLAC) expects Guatemala's economic activity to grow by 4.0% in 2022, following the previous year's 8% expansion. This economic slowdown is the result of a complex global situation, characterized by slower growth among the country's main trading partners, particularly the United States, along with geopolitical conflicts and steep increases in international commodity prices. These factors are compounded by the end of the statistical effect observed in 2021, owing to the previous year's low baseline. Remittance flows are expected to post a new record at the end of the year and will continue to fuel domestic demand. Tropical Storm Julia and Hurricane Lisa could undermine growth in 2022.

At end-2022, the current account of the balance of payments is expected to show a surplus equivalent to 0.9% of GDP (compared to 2.5% in 2021), with significant increases in family remittances and exports being offset by import growth. The central government is set to end the year with a deficit of 2.2% of GDP (compared to 1.2% in 2021), as expenditure resulting from works maintenance and transfer programs outweighed a positive revenue performance. Year-on-year inflation is forecast to be 8.8% at end-2022 (3.1% in 2021), above the central bank's target range of 3%–5%, owing mainly to hikes in the international prices of fuel, food and other commodities. As of July 2022, the number of contributors to the social security system was 7% higher than a year earlier.

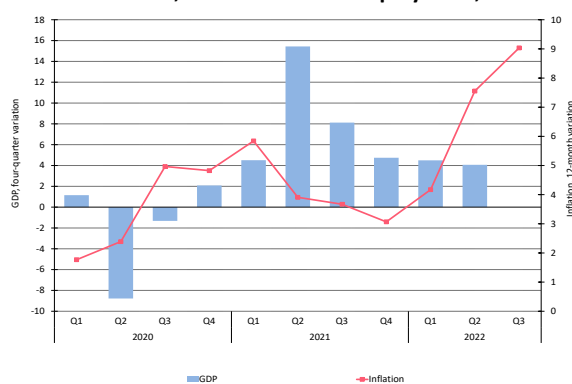
In the first nine months of 2022, total central government income was up by 10.1% year-on-year in real terms, with tax revenues rising by 10.5% and non-tax income up by 5.7%. In the case of direct taxes, income tax revenue was 13.3% higher in real terms; and, among indirect taxes, value added tax revenue was up by 12.3%. Along with the rebound in economic activity, the higher revenue intake reflects the implementation of electronic invoicing and a more expeditious administrative mechanism for resolving tax disputes.

Between January and September 2022, total central government expenditure grew by 9.0% year-on-year in real terms, led by current spending (+9.3%) and capital expenditure (+7.7%). In 2022, there was significant spending on works maintenance and an increase in transfers to cushion the effect of higher fuel, propane gas and electricity prices.

In September 2022, the non-financial public sector debt was equivalent to 29.4% of GDP (compared to 30.8% at the end of 2021), with external debt representing 11.8% of GDP, and domestic borrowing accounting for the other 17.6%. Debt service absorbed 9.7% of total central government income, 5.6 percentage points less than in the year-earlier period. In 2022, the US\$ 500 million loan from the World Bank authorized in 2021 became effective and was used to reduce the cost of financing obtained previously.

Between May and September 2022, the central bank hiked the monetary policy interest

Guatemala: GDP, Inflation and Unemployment, 2020-2022



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

rate by 125 basis points to 3%, in order to curb inflation fuelled by rising prices on international markets. In the third quarter of 2022, the nominal lending rate in the financial system was 11.98% while the nominal deposit rate was 3.88% (both of which were 0.2 percentage points lower than in the same period of the previous year). In real terms, the lending rate was 3% (5.2 percentage points lower than in the third quarter of 2021), and the deposit rate was -4.5% (4.8 percentage points lower than a year earlier). As of September 2022, financial system lending to the private sector was up by 17.6% year-on-year (compared to growth of 9.3% in the same period of 2021).

The average nominal exchange rate at 3 November 2022 was 7.82 quetzals per dollar, representing a nominal depreciation of 1.4% since the start of the year; and the real exchange rate index had depreciated by 9.7% as of the third quarter of 2022. Net international reserves totalled US\$ 20,428 billion at 30 September 2022, 3.0% higher than a year earlier, representing 7.5 months of imports.

In the first eight months of 2022, total goods exports grew by 22.6% year-on-year in value terms, while imports were 31.1% higher. The latter increase mainly reflects the rise in international commodity prices. Shipments of sugar, coffee and bananas, which are Guatemala's main export products, increased by 44.2%, 30.2% and 12.2% in value, respectively. Imports of consumer goods grew by 19.3% and those of capital goods by 15.9%. Meanwhile, oil and fuel imports increased by 62.4%. The merchandise terms of trade deteriorated by 6.1% in 2022 relative to the previous year's level. Net foreign direct investment (FDI) flows in Guatemala totalled US\$ 414.6 million in the first half of 2022, 10.0% less than in the year-earlier period.

Gross domestic product grew by 4.3% year-on-year in the first half of 2022, with expansions in all sectors except for mining and quarrying. The three sectors with the highest growth rates were hotels and restaurants (+15.8%), transportation (+9.7%) and private services (+8.7%). On the demand side, the strongest-growing sectors were exports of goods and services (+11.3%) and private consumption (+4.7%). The seasonally adjusted monthly economic activity index (IMAE) showed that economic activity in August 2022 was 3.6% higher than a year earlier.

In October 2022, annual inflation stood at 9.7%, well above the central bank's target range. The steepest price increases occurred in food and non-alcoholic beverages (+13.6%), transportation (+9.8%), and hotels and restaurants (+9.3%).

In 2022, the nominal minimum wage was raised by 4.75% relative to the previous year's level in all categories. However, it lost 4.25% of its real value on average between 1 January and 30 September 2022.

Projections by ECLAC see Guatemala's economic activity expanding by 3.2% in 2023, supported by domestic demand and expenditure to rebuild infrastructure damaged by natural disasters.

Guatemala: main economic indicators, 2020-2022

| | 2020 | 2021 | 2022 ^a |
|--|----------------------------------|--------|-------------------|
| | Annual growth rate | | |
| Gross domestic product | -1.8 | 8.0 | 4.0 |
| Per capita gross domestic product | -3.6 | 6.0 | 2.1 |
| Consumer prices | 4.8 | 3.1 | 9.7 ^b |
| Real average wage ^c | ... | ... | ... |
| Money (M1) | 20.7 | 17.1 | 12.1 ^d |
| Real effective exchange rate ^e | -3.5 | 0.6 | 0.1 ^b |
| Terms of trade | 7.4 | -3.9 | -6.0 |
| | Annual average percentage | | |
| Open urban unemployment rate | ... | 2.2 | ... |
| Central government | | | |
| Overall balance / GDP | -4.9 | -1.2 | ... |
| Nominal deposit rate ^f | 4.6 | 4.1 | 3.9 ^b |
| Nominal lending rate ^g | 12.5 | 12.2 | 11.9 ^b |
| | Millions of dollars | | |
| Exports of goods and services | 22 840 | 27 731 | 33 787 |
| Imports of goods and services | 35 708 | 50 688 | 67 554 |
| Current account balance | 203 | -1 456 | -2 611 |
| Capital and financial balance ^h | -1 590 | 1 815 | ... |
| Overall balance | -1 387 | 359 | ... |

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 fiscal deficit is expected to represent 2.3% of GDP, owing to an increase in public expenditure in the first half of a year in which elections are scheduled for late June, as well as spending on reconstruction. The current account is expected to show a surplus of 0.5% of GDP, given slacker import growth. The year is set to end with inflation around 4.5%, in a context of lower international prices and the gradual return to pre-pandemic conditions in global supply chains.