Guatemala

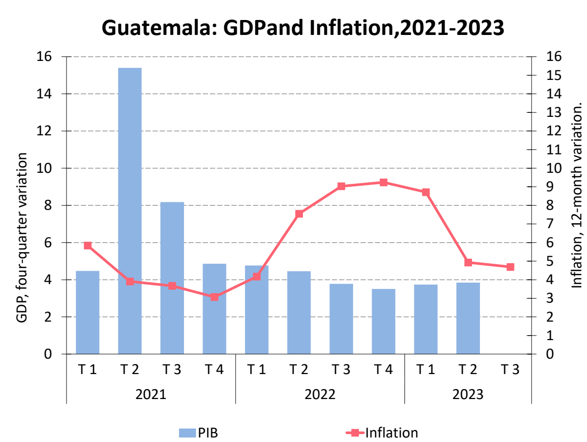
The Economic Commission for Latin America and the Caribbean (ECLAC) estimates that GDP in Guatemala grew by 3.4% in 2023, down from 4.1% in 2022. The slowdown in the country's economy was due to a less buoyant global economy, a slower expansion of trade and higher financing costs. Among the factors driving the economy's growth were public spending, which showed a real year-on-year increase of 4.4% for the first three quarters of 2023, and remittances, which were expected to have reached US$ 20 billion (about 19% of GDP) by the end of the year.

ECLAC estimates put the year-end current account deficit at 1.7% of GDP (compared to 1.3% in 2022), partly as a result of strong import growth. The central government will close out the year with a deficit of 1.9% of GDP (compared to 1.7% in 2022) owing, in particular, to an upswing in public spending for the maintenance of infrastructure works, transfer programmes and election-related expenditures, which offset the increase in revenues. The year-on-year inflation rate is projected to stand at 5.0% at the end of 2023 (compared to 9.2% in 2022), which is at the upper limit of the central bank's target range (3%–5%). An annual unemployment rate of 3.3% is expected for 2023 as a whole. As of July 2023, the number of contributors to the social security system had increased at a year-on-year rate of 5.3%.

In the first nine months of 2023, total central government revenues showed a real year-on-year increase of 1.4%, with tax revenues increasing by 1.2% and non-tax revenues by 4.1%. Among direct tax revenues, income tax receipts rose by 3.3% in real terms. Among indirect tax revenues, receipts from the tax on non-personal services were up by 9.8%. This strong performance is attributable to the growth of economic activity and improvements in the administration of the value added tax (VAT) and income tax.

In the first three quarters of 2023, total central government expenditure exhibited a year-on-year expansion of 4.4% in real terms. The upswing was driven primarily by current spending (2.8%) but also by capital expenditures (12.6%). In 2023, expenditures related to the mitigation of the effects of the coronavirus disease (COVID-19) pandemic continued to be made, with funds being allocated for a vaccine procurement and COVID prevention and treatment programme. In addition to election-related expenditures, funds were allocated for the maintenance, replacement and improvement of infrastructure damaged by the previous year's rains and tropical storm Julia and for the launch of a disaster response and damage mitigation initiative known as "subprogramme 10".

As of September 2023, the non-financial public-sector debt amounted to 28.5% of GDP (the same level as at the end of 2022), with external debt accounting for 12.5% of GDP and domestic debt for the remaining 16.0%. The debt service was equivalent to 2.7% of GDP during the first



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

nine months of 2023, which was 0.2 percentage points lower than in the corresponding period of 2022. In all, 60% of the country's external debt is in Eurobonds, while approximately 17% is held by the World Bank.

Between January and April 2023, the central bank raised the monetary policy rate by 125 basis points to 5% in an attempt to curb inflation, which was being fuelled primarily by rising international prices. In the third quarter of 2023, the nominal interest rate on loans in the financial system averaged 11.96% (0.02 percentage points lower than in the corresponding period of 2022), while the nominal interest rate on deposits stood at 4.25% (0.37 percentage points higher than the 2022 rate). In real terms, the lending rate was 7.08% (4.1 percentage points higher than in the third quarter of 2022) and the deposit rate was -0.3% (4.2 percentage points higher than in 2022). There is uncertainty as to when rates may be lowered. To September 2023, the real year-on-year increase in the balance of the financial system's private-sector loan portfolio came to 17.6% (compared to 10.3% up to September 2022).

Guatemala: main economic indicators, 2021-2023

	2021	2022	2023 [a]
	Annual growth rate		
Gross domestic product	8.0	4.1	3.4
Consumer prices	3.1	9.2	4.7 [b]
Money (M1)	17.1	12.0	12.5 [c]
Real effective exchange rate [d]	0.6	0.3	83.5 [b]
Terms of trade	-3.9	-6.0	1.7
	Annual average percentage		
Open urban unemployment rat	2.2	3.0	...
Central government			
Overall balance / GDP	-1.2	-1.7	...
Nominal deposit rate [e]	4.1	3.9	4.1 [b]
Nominal lending rate [f]	12.2	11.9	12.0 [b]
	Millions of dollars		
Exports of goods and services	15 246	18 127	4 604 [g]
Imports of goods and services	27 343	33 938	7 890 [g]
Current account balance	1 890	1 243	973 [g]
Capital and financial balance [h]	918	-1 210	-870 [g]
Overall balance	2 809	33	103 [g]

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
a/ Estimates.
b/ Figures as of September.
c/ Figures as of August.
d/ A negative rate indicates an appreciation of the currency in real terms. Refers to the global real effective exchange rate.
e/ Weighted average of deposit rates.
f/ Weighted average of lending rates.
g/ Data for 2023 correspond to the sum of the first and second quarters.
h/ Includes errors and omissions.

The average nominal exchange rate as of the third quarter of 2023 was 7.81 quetzales to the dollar, which represented nominal depreciation of 1.1% relative to the same period in 2022. In real terms, the depreciation reflected by the real exchange rate index amounted to 0.3% up to the third quarter of 2023. Net international reserves totalled US$ 20.273 billion as of 30 September 2023 (the equivalent of nine months' worth of imports), for a 1.4% drop compared to September 2022.

In the first nine months of 2023, the value of total exports of goods had fallen by 9.3% year-on-year, while imports were down by 7.4%. The decline in exports reflected changes in both volumes and prices: demand for goods was weaker owing to the contraction in the volume of international trade and lower prices for some agricultural products. The value of external sales of chemicals, maquila-produced textiles, rubber and cardamom (representing 27.7% of the country's total exports) was lower than in the same period in 2022. Imports of consumer goods rose by 4.9% and imports of capital goods by 9.5%. Petroleum and fuel imports dropped by 23.3% as international prices sagged, with the terms of trade for goods improving year-on-year by 0.6% in the first three quarters of 2023. Guatemala's net inflows of foreign direct investment totalled US$ 743.1 million in the first half of 2023, which was a 6.4% increase over the same period in 2022.

Year-on-year GDP growth came to 3.8% in the first half of 2023, with most sectors making a positive showing. The three fastest-growing sectors were financial services and insurance (11.1%), lodging and meals (9.3%) and construction (9.2%). On the demand side, government spending (13.7%) and gross fixed investment (6.7%) were up the most. The seasonally adjusted monthly economic activity index (IMAE) indicated that the level of economic activity was 3.8% higher in August 2023 than it had been a year earlier.

In November 2023, year-on-year inflation was 4.3%. The steepest increases in the prices of goods and services were seen in hotels and restaurants (8.7%), food and non-alcoholic beverages (8.5%) and recreation and culture (4.5%). The blockage of transportation routes that has accompanied political demonstrations recently held throughout the country may have an impact on prices.

In January 2023, the nominal minimum wage was higher in all areas of the country than it had been in 2022, with a 7% hike in Guatemala City and a 4% raise for the rest of the country. In real terms, however, minimum wage levels were 2.2% and 5.2% lower, respectively, than they had been in 2022.

ECLAC projects an annual growth rate of 3.4% for GDP in Guatemala for 2024 based on domestic demand and inflows of family remittances. The fiscal deficit is expected to amount to 1.5% of GDP. A current account deficit of 1.5% of GDP is also forecast, given the expected increase in imports. The year will close with an inflation rate of around 4.6% and an open unemployment rate of approximately 3.9%. There is at least an 80% chance that an active El Niño will result in less rain and lower agricultural output in 2023–2024. A new national government was to take office in January 2024.