

Guatemala

ECLAC expects Guatemala's GDP to grow by 3.3% in 2019, compared to the previous year's 3.1% expansion, making it one of just three Latin American economies in which the pace of activity accelerated. The main growth drivers have been private consumption and, to a lesser extent, investment, led by the public component (through higher capital spending). Inflation is projected to end the year within the central bank's 3%–5% target range at roughly 3% (compared to 2.3% in 2018). The fiscal deficit is forecast to be around 2.0% of GDP (1.8% in 2018), owing to weaker revenue collection. The balance-of-payments current account surplus is expected to be larger than in 2018 (0.8% of GDP) owing to lower international prices for oil and other hydrocarbon products and other key raw materials, together with increased income from family remittances.

The new government will take office on January 14, 2020, after candidate Alejandro Giammattei won the presidential election in a second round of voting in August 2019.

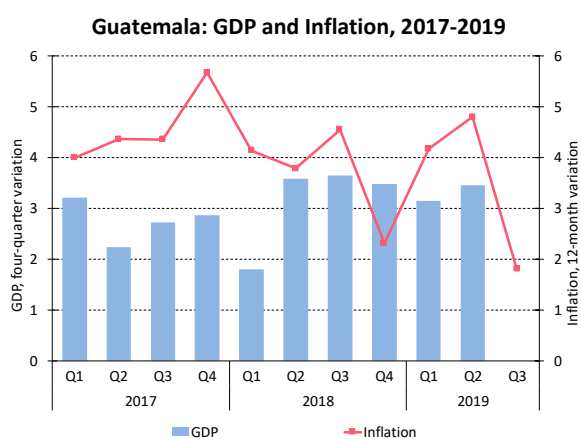
In the first nine months of 2019, the rate of public expenditure execution stood at 66.7% (slightly above the 66.3% recorded in the year-earlier period). Total central government revenues grew by 1.1% in the first nine months of the year in real terms, thanks to positive growth in indirect tax revenues (+2.0%), non-tax income (+8.7%) and income from capital (+27.4%), although direct tax revenues (accounting for 33% of the total) fell by 1.0%. The tax burden is forecast to be slightly lower at 9.7%, compared to the previous year's 10%, recording its lowest level in two decades. Total expenditure increased by 8.8%, largely owing to higher levels of capital spending (+20.9%).

In September 2019, the external public debt was equivalent to 11.0% of GDP (10.5% in the same month of 2018), while the domestic public debt represented 13.8% of GDP (13.7% a year earlier).

In 2019, monetary policy remained accommodating, with the leading interest rate held steady at 2.75% for the first 11 months of the year. Nominal bank interest rates were also virtually unchanged during the same period at 5.0% on deposits and 12.8% on loans, equivalent to real rates of 1.9% and 9.4%, respectively.

In the first nine months of the year, bank lending to the private sector was up by 6.1% year-on-year, which is practically the same as in the year-earlier period (+6.0%), but still weaker than in 2012-2015 (12.2%).

In the first 11 months of 2019, the domestic currency continued to depreciate gently in nominal terms to reach 7.7 quetzals to the dollar (up from 7.5 quetzals per dollar in 2018). The Bank of Guatemala's interventions on the foreign exchange market (through foreign currency purchase and sale auctions) have been targeted on reducing volatility. In October 2019, the country's net international reserves stood at US\$ 14.631



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

billion (equivalent to eight months' import coverage), up by US\$ 1.875 billion since end-2018.

In the first eight months of the year, the value of exports was practically unchanged from year earlier, since a rise in average prices (+6.1%) was offset by a reduction in the volume exported (-5.7%).

Traditional exports increased in value by 5.7%, while non-traditional exports were down by 2.0%. Meanwhile, the value of merchandise imports rose slightly by 0.8%, owing to a reduction in foreign purchases of intermediate goods (-0.7%) resulting from lower international fuel prices, since imports of consumer and capital goods rose (by 3.3% and 2.3%, respectively).

Family remittances were up by 13.8% in the first 10 months of the year (compared to growth of 11.9% in the year-earlier period), supported by the buoyant labour market in the United States.

Foreign direct investment (FDI), mainly from the United States and Mexico, increased to US\$ 536 million in the first half of the year, compared to US\$ 512 million a year earlier.

GDP growth strengthened in the second quarter of 2019, posting a year-on-year expansion of 3.5%, compared to 3.1% in the previous, albeit slightly less than in the same quarter of the previous year (+3.6%).

In the first half of 2019, economic activity was buoyant in nearly all sectors, except for electricity, gas and water, representing around 3.0% of total GDP, which retreated by 1.4%. The most dynamic sectors include construction (+7.6% year-on-year); community, social and personal services (+4.8%); and commerce, restaurants and hotels (+4.2%). On the demand side, the strongest growth was in gross fixed investment (+5.9%), led by construction (particularly non-residential), and a positive trend in both public and private civil engineering works. Private consumption expanded by 4.2%, fuelled by higher remittances and easier credit.

The consumer price index (CPI) was up by 2.2% year-on-year in October, compared to a 4.3% increase in the same month in 2018. This mainly reflects an easing of price pressure in the food and non-alcoholic beverages division, especially for green vegetables, pulses and tubers, bread and cereals and, to a lesser extent, fruit. Prices in the transport division also rose by less, in keeping with the lower price of oil on international markets. Core inflation was 3.0% year-on-year (2.9% in 2018).

The latest round of the National Employment and Income Survey (ENEI) reported unemployment at 2.0% in December 2018 (2.1% a year earlier), with a higher rate among women (2.7%) than among men (1.6%). The overall labour force participation rate was 60.9%, compared to 62.0% in

Guatemala: main economic indicators, 2017-2019

	2017	2018	2019 ^a
	Annual growth rate		
Gross domestic product	2.8	3.1	3.3
Per capita gross domestic product	0.9	1.3	1.5
Consumer prices	5.7	2.3	2.2 ^b
Real average wage ^c	-0.9	0.7	...
Money (M1)	7.7	8.1	11.0 ^d
Real effective exchange rate ^e	-5.4	0.7	-1.2 ^d
Terms of trade ^f	-5.2	-4.3	-1.2
	Annual average percentage		
Open urban unemployment rate	2.5	2.4	2.6 ^g
Central government			
Overall balance / GDP	-1.3	-1.8	-2.5
Nominal deposit rate ^h	5.4	5.2	5.0 ^d
Nominal lending rate ⁱ	13.1	12.9	12.8 ^d
	Millions of dollars		
Exports of goods and services	13 954	13 952	13 952
Imports of goods and services	20 377	21 833	21 886
Current account balance	1 189	665	1 681
Capital and financial balance ^j	1 377	292	79
Overall balance	2 566	957	1 760

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/ Economic Development Division, calculations for Preliminary Overview 2019.

g/ Figures as of May.

h/ Weighted average of deposit rates.

i/ Weighted average of lending rates.

j/ Includes errors and omissions.

December 2017. Although no labour market data are available for 2019, the stronger economic growth should have contributed to a modest reduction in unemployment this year.

Minimum wages were unchanged in 2019, so the nominal minimum daily wage remained at 90.16 quetzals (US\$ 11.70) in both the agricultural and non-agricultural sectors, and 82.46 quetzals (US\$ 10.70) in the maquila sector. As there was no increase, real minimum wages lost about 3% in purchasing power, corresponding to the inflation forecast for 2019.

ECLAC projects economic growth of 3.2% for 2020, driven by momentum in both private consumption and public investment. The slow pace of economic growth expected in the United States is likely to have the opposite effect. Given a growth slowdown and difficulties in increasing tax revenues, the fiscal deficit is expected to widen to around 2.4% of GDP. In contrast, the growth of remittances is expected to slow; and exports are not expected to regain their buoyancy in the short term. As a result, the current account surplus is expected to narrow to about 1.3% of GDP, with inflation expected to be approximately 4.0% and unemployment around 2%.