

GUATEMALA

1. General trends

After a 1.8% contraction in 2020, Guatemala's GDP grew by a real-term 8% in 2021. This significant rebound in economic activity was on account of a statistical base effect, the gradual elimination of the health measures adopted to tackle the coronavirus disease (COVID-19) pandemic and surging external demand, consumption and private investment. Domestic demand was driven by a significant increase in remittance flows and by higher public spending and investment, while the main driver of external demand was the recovery of the United States economy.

Year-on-year inflation stood at 3.1% in December 2021, down 1.76 percentage points from the close of 2020. This was on account of the restoration of normal conditions in domestic supply chains for foodstuffs and beverages, together with the fact that inflationary expectations remained close to the central bank's target range. Following the conclusion of the emergency public programmes introduced to deal with the pandemic, the central government's fiscal deficit was equal to 1.2% of GDP in 2021, down from 4.9% in 2020. The current account posted a positive balance for the sixth consecutive year (2.5% of GDP); that figure was, however, lower than the 2020 result (4.9% of GDP) because the uptick in exports and family remittance flows was offset by an even greater increase in imports. The 2021 open unemployment rate stood at 2.2%. The National Employment and Income Survey was not conducted in 2020 but, according to International Labour Organization (ILO) estimates, the national open unemployment rate was 4.7%.

The Economic Commission for Latin America and the Caribbean (ECLAC) calculates that Guatemala's GDP will grow by 4.0% in 2022. Lower external demand, rising international fuel prices and a tighter monetary policy will have a negative impact on economic activity compared to 2021. If international oil prices continue to rise, and if the world economy loses dynamism, this estimate may have to be adjusted downwards. The central government deficit is expected to close the year at around 2% of GDP, thanks to a gradual recovery in revenue. The current account surplus is likely to be around 2% of GDP—lower than in 2021—as a result of increased imports. Year-on-year inflation (December to December) is expected to reach around 4% due to disruptions in global value chains and higher international food prices. The open unemployment rate will probably fall in 2022, as the dynamism of economic activity positively impacts the labour market.

2. Economic policy

During 2021, economic policy focused on the recovery of economic activity. To that end, vaccines were purchased to inoculate the population against COVID-19, and efforts were made to promote tourism, new infrastructure investments and the maintenance of existing works.

(a) Fiscal policy

Fiscal strategy in 2021 focused more on increasing tax receipts than on contracting new debt. The temporary increase in public spending to address the COVID-19 pandemic in 2020 also had a base effect on the 2021 result.

Total central government revenues increased by 22.3% in real terms over their 2020 level to stand at 12.43% of GDP. This was the result of solid growth in economic activity and the one-off tax revenues earned from the sale of assets belonging to the telecommunications company TIGO Guatemala. In real terms, tax and non-tax revenues rose by 24.1% and 2.4%, respectively. Within tax revenues, the highest increase was in income tax (33.4% in real terms), followed by value added tax (a real-term 23.3%); in non-tax revenues, income recorded in the profit accounts of State-owned companies rose by 14.2%. Income tax and value added tax accounted for 28.3% and 44.9%, respectively, of total central government revenue.

In 2021, total expenditure fell by 7.6% in real terms, with drops of 5.8% in current spending and 15.6% in capital spending. Total expenditure over the year was equal to 13.5% of GDP, with current spending accounting for 11.2% and capital spending for 2.4%. Total public debt as a percentage of GDP fell from 31.4% in 2020 to 30.8% in 2021 as a result of the strong rebound in economic activity and an uptick in loan repayments. Domestic public debt fell by 0.1 percentage points to 17.9% of GDP, while external public debt fell by 0.6 percentage points to 12.9% of GDP. Debt financing was sufficient to cover the current fiscal year's deficit, and this, together with the healthy dynamics in revenue, allowed the use of the positive balance to amortize and finance debt service. As a result, it is estimated that 78% of the total was new debt, while 22% was roll-over refinancing on favourable terms. The main source of funding for the fiscal deficit was the issuing of treasury bonds by the Ministry of Public Finance.

In 2022, fiscal policy will focus on raising tax receipts (a primary fiscal surplus has already been recorded in the first four months of the year) and on realigning spending to reduce the impact of rising global fuel and food prices. Total government revenues posted a real-term year-on-year growth of 11.2% in April 2022. Tax revenues increased by 12.4% in real terms, while non-tax revenues fell by a real-term 8.2%. In the first four months of 2022, there was a real-term increase of 8.5% in total spending. On 19 May 2022, the country's Congress approved the negotiation of a US\$ 500 million budget support loan from the World Bank.

(b) Monetary policy

An expansionary monetary policy was adopted in 2021. Over the course of the year, the monetary board kept the monetary policy rate unchanged at 1.75%, despite external and internal pressures on prices, including rising international oil prices, disruptions in global value chains and increased transport costs. At the end of the year, the pace of inflation had slowed down, and agents across the board maintained their inflation expectations. In 2021, the average bank deposit rate was 4.14% in nominal terms (-0.1% in real terms), slightly lower than the 2020 nominal rate of 4.63% (a real-term 1.4%). The average nominal lending rate decreased by three tenths of a percentage point: from 12.53% in 2020 to 12.19% in 2021 (9.1% in 2020 and 7.6% in 2021, in real terms). There was a 14.5% nominal increase in financial system loans to the private sector over the year, compared to the 7.8% increase observed in 2020, highlighting the ongoing economic recovery. Consumer credit accounted for 51.9% of loans, followed by commerce (14.2%), manufacturing (6.7%), construction (6.1%), agriculture (2.5%) and the real-estate sector (2.4%).

On 25 May and 30 June 2022, in response to the impact of world prices on consumer expectations, the central bank's monetary board decided to increase the monetary policy rate by 25 basis points on each occasion, to set it at 2.25% per annum. During the first quarter of 2022, the average nominal deposit rate was 3.94% (0.6% in real terms), while the average nominal lending rate was 11.93% (a real-term 8.3%). As of 31 March 2022, credit to the private sector totalled 158.480 billion quetzales (about US\$ 20.599 billion), up 15.8% from the corresponding period in 2021. Of that loan volume, 53.1% was for the consumer sector, followed by commerce (14%), manufacturing (6.5%), construction (5.9%), agriculture (2.5%) and real estate (2.3%). By the end of the year, credit is expected to be up by around 7% compared to 2021.

(c) Exchange-rate policy

The quetzal continued to operate under a managed float in 2021. At 31 December 2021, the average nominal exchange rate stood at 7.72 quetzales to the dollar, for a slight (0.16%) appreciation over the end of 2020. The real-term exchange rate showed a slight appreciation of 0.6% compared to 2020. At the end of December 2021, international reserves totalled US\$ 20.940 billion, equal to 29.6% of GDP and 9.1 months of total imports, up 13.4% in nominal terms over the end of 2020.

On 16 June 2022, the nominal exchange rate stood at 7.74 quetzales to the dollar, giving a slight depreciation of 0.3% compared to the end of December 2021. At the end of May 2022, international reserves totalled US\$ 20.987 billion. Reserves are expected to increase by the end of the year, provided exports recover their dynamism and the current pace of remittances does not falter.

3. The main variables

(a) The external sector

Goods exports posted annual growth of 22.7% in 2021, driven by the rise of green coffee sales (42.4%), which accounted for 6.8% of total goods exports. The growth in total exports owed more to an increase in total export value (22.7%) than to an increase in the volume of goods exported (14%). Exports of traditional —mainly agricultural— products increased by 21.9%. At the same time, exports of non-traditional products rose by 29.8%, including natural rubber (52%), tobacco (48%) and sesame seeds (47.9%). In turn, services exports rose by 13.6% in 2021 (-30.6% in 2020), boosted by higher tourism revenues (69.7%). The main destination markets for exports were the other Central American countries (33.1%), the United States (31.4%) and Mexico (4.3%).

In 2021, the value of imports posted annual growth of 46.1% for a total of US\$ 26.608 billion, mainly because of rising international prices for fuel and for goods used in industrial processes. Increases in total import volumes (18.2%) and in prices (41.9%) were both responsible for this result. Meanwhile, services imports rose by 49% in 2021 (-22.3% in 2020). The goods and services balance posted a negative result of US\$ 12.229 billion, 85.7% higher than the 2020 figure. The terms of trade worsened by 10.1%.

Thanks to the economic recovery and increased employment in the United States, family remittances reported an unprecedented rise of 34.9% and accounted for 18% of GDP. Tax incentives granted in the United States, increased employment among Hispanics in that country and family and precautionary measures in the face of possible deportations drove the increase in those financial flows.

Foreign direct investment (FDI) inflows totalled some US\$ 3.472 billion in 2021, up 273% over the 2020 figure. Two thirds of these investments (66%) were destined for the information and communications sector, following the acquisition of a stake in the country's leading telephone provider by a European company. The main countries of origin of FDI were Luxembourg (64.8%), Colombia (7.5%), Mexico (5.7%) and Panama (5.4%).

In the first three months of 2022, goods exports recorded a year-on-year growth of 23.1%, driven by increases in sales of apparel (27.2%), coffee (63%) and sugar (12.9%). At the same time, import costs recorded a year-on-year increase of 38.2%, driven by industrial inputs (57.8%) and oil and fuels (52.1%). FDI as of March 2022 was US\$ 370.75 million, up 21.3% from the same period in 2021.

As of 31 May 2022, family remittance inflows reached a cumulative total of US\$7.045 billion, for a year-on-year increase of 25.7%. The Bank of Guatemala estimates total family remittances of around US\$ 17.590 billion in 2022 (15% more than in 2021), along with a 10% increase in exports and a 12% rise in imports. FDI flows are expected to be lower in 2022 than in 2021. However, in the medium term, it is expected that Guatemala will take advantage of the current trend in North America of companies relocating their operations to their countries of origin (reshoring) or to nearby destinations (nearshoring).

(b) Economic activity

In 2021, private consumption increased by 8.9%, driven by the strong dynamism of family remittances and the elimination of restrictions imposed during the pandemic, while gross domestic investment rose by 26.8%, mainly as a result of the positive impact of gross fixed investment (20.8%). On the supply side, the sectors with the best performances were lodging and foodstuffs (20.8%), human health care and social assistance (17.4%), transport and storage (11.6%) and construction (11%).

The second quarter of 2021 posted the highest year-on-year quarterly growth of the year (15.4%). This result was largely on account of a base effect over the corresponding quarter in 2020, when that year's largest drop was recorded. Growth in the third quarter was lower but still healthy (8.1%), while more moderate positive year-on-year variations were reported in the first and fourth quarters (4.5% and 4.7%, respectively). This was due to the rebound in private consumption, investment and increased exports.

No GDP data for the first quarter of 2022 have been published. However, in April of this year, the trend-cycle series of the monthly index of economic activity (IMAE) recorded year-on-year growth of 3.9%, lower than the 12.6% recorded in the same month the previous year. This result was mainly on account of the growth observed in commerce, vehicle repair services, lodging and foodstuffs, and financial and insurance activities.

(c) Prices, wages and employment

In the first half of 2021, inflation remained above the central bank's target range of 4% (within a band of plus or minus one percentage point) and hit its maximum value in February (6%). Among the factors that most impacted price levels were disruptions in supply chains and rising international fuel prices. In the second half of the year, however, inflation slowed to within the target range. Transport and communications (an average of 16.7%), housing (an average of 4.8%) and food and non-alcoholic beverages (an average of 4.8%) were the sectors that recorded the highest annual price increases.

The open unemployment rate in 2021 stood at 2.2%. A comparison with 2020 is not available because data were not collected for the National Employment and Income Survey due to mobility restrictions. However, some international institutions, such as the ILO, estimated that during 2020 the average national unemployment rate stood at 4.7%.

Nominal minimum wages remained unchanged in 2021. The daily minimum wage was 90.16 quetzales in rural areas and 92.88 quetzales in the cities (around US\$ 12), while in the maquiladora sector the minimum wage was set at 84.88 quetzales per day (about US\$ 11). In real terms, the minimum wage fell by 7.4% from its 2020 level. New minimum wages were set in December 2021, and these remain in force for 2022. The daily wage in the agricultural sector was set at 94.44 quetzales (US\$ 12.20), compared to 97.29 quetzales (US\$ 12.60) in the non-agricultural sector and 88.91 quetzales (US\$ 11.50) in the maquiladora sector.

In May 2022, inflation posted a year-on-year rate of 5.82%, which was above the central bank's target range. Prices for transport and communications (11.5% year-on-year), furniture, equipment and maintenance (6.9% year-on-year) and food and non-alcoholic beverages (7.2% year-on-year) reported the highest increases. Given the instability and uncertainty in the markets for oil, agricultural products and fertilizers, it is possible that the international prices of these products will put upward pressure on domestic prices. Fuel supplies warrant the closest attention, on account of their possible impact on the transport sector and knock-on effects on the rest of the economy. The open unemployment rate is expected to fall in 2022 as economic activity expands.

Table 1
GUATEMALA: MAIN ECONOMIC INDICATORS

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 a/ |
|---|-------------------------------|--------|--------|--------|--------|--------|--------|--------|---------|
| | Annual growth rates b/ | | | | | | | | |
| Gross domestic product | 3.7 | 4.4 | 4.1 | 2.7 | 3.1 | 3.4 | 4.0 | -1.8 | 8.0 |
| Per capita gross domestic product | 1.5 | 2.3 | 2.0 | 0.6 | 1.1 | 1.4 | 2.0 | -3.6 | 6.0 |
| Gross domestic product, by sector | | | | | | | | | |
| Agriculture, livestock, hunting, forestry and fishing | 4.7 | 1.6 | 2.6 | 2.4 | 3.3 | 2.5 | 1.7 | -0.2 | 3.5 |
| Mining and quarrying | 3.5 | 46.6 | 4.2 | -9.1 | -29.3 | -31.1 | 2.9 | -3.1 | 10.1 |
| Manufacturing | 3.5 | 3.4 | 3.7 | 3.0 | 3.0 | 3.3 | 3.2 | -0.7 | 8.0 |
| Electricity, gas and water | 5.2 | 6.5 | 0.6 | 3.8 | 5.4 | 3.1 | -1.4 | 1.7 | 5.7 |
| Construction | 1.7 | 7.5 | 1.6 | -0.3 | 3.0 | 5.3 | 10.0 | -4.3 | 11.0 |
| Wholesale and retail commerce, restaurants and hotels | 3.2 | 3.8 | 4.2 | 3.2 | 3.3 | 2.9 | 4.2 | -2.8 | 10.2 |
| Transport, storage and communications | 2.9 | 2.7 | 5.4 | 3.5 | 4.1 | 4.0 | 4.1 | -4.7 | 8.4 |
| Financial institutions, insurance, real estate and business services | 4.9 | 4.6 | 5.3 | 3.1 | 3.8 | 4.7 | 4.7 | 1.1 | 6.6 |
| Community, social and personal services | 4.8 | 4.1 | 3.7 | 2.4 | 2.7 | 3.2 | 2.6 | -2.9 | 6.5 |
| Gross domestic product, by type of expenditure | | | | | | | | | |
| Final consumption expenditure | 3.9 | 4.4 | 4.7 | 3.2 | 3.1 | 4.0 | 4.4 | -1.1 | 8.4 |
| Government consumption | 5.6 | 3.6 | 0.9 | -3.1 | 2.1 | 7.6 | 2.7 | 1.5 | 5.0 |
| Private consumption | 3.7 | 4.5 | 5.1 | 4.1 | 3.3 | 3.5 | 4.7 | -1.4 | 8.9 |
| Gross capital formation | -1.0 | -1.3 | 1.4 | -4.0 | 4.2 | 9.8 | 8.3 | -4.8 | 28.6 |
| Exports (goods and services) | 6.7 | 6.9 | 2.8 | 2.4 | 1.5 | -0.4 | 0.2 | -7.7 | 11.7 |
| Imports (goods and services) | 4.3 | 3.4 | 3.6 | 0.9 | 2.8 | 3.9 | 5.0 | -5.7 | 22.1 |
| Investment and saving c/ | Percentages of GDP | | | | | | | | |
| Gross capital formation | 15.8 | 15.1 | 14.8 | 13.9 | 13.6 | 13.8 | 14.3 | 13.3 | 17.0 |
| National saving | 11.6 | 11.8 | 13.6 | 14.8 | 14.8 | 14.7 | 16.7 | 18.2 | 19.5 |
| External saving | 4.2 | 3.3 | 1.2 | -1.0 | -1.2 | -0.9 | -2.4 | -4.9 | -2.5 |
| Balance of payments | Millions of dollars | | | | | | | | |
| Current account balance | -2 239 | -1 909 | -774 | 637 | 857 | 650 | 1 821 | 3 832 | 2 177 |
| Goods balance | -6 749 | -6 782 | -6 439 | -6 077 | -6 791 | -7 985 | -7 967 | -6 314 | -10 920 |
| Exports, f.o.b. | 8 663 | 9 375 | 9 085 | 8 973 | 9 651 | 9 644 | 9 919 | 10 127 | 12 413 |
| Imports, f.o.b. | 15 412 | 16 157 | 15 524 | 15 050 | 16 442 | 17 629 | 17 885 | 16 441 | 23 333 |
| Services trade balance | 34 | 74 | 81 | 222 | 291 | 166 | 38 | -270 | -1 308 |
| Income balance | -1 236 | -1 517 | -1 486 | -1 425 | -1 501 | -1 502 | -1 404 | -1 462 | -1 659 |
| Net current transfers | 5 712 | 6 316 | 7 071 | 7 917 | 8 858 | 9 971 | 11 154 | 11 879 | 16 065 |
| Capital and financial balance d/ | 2 977 | 2 035 | 1 279 | 787 | 1 743 | 338 | -23 | -644 | 631 |
| Net foreign direct investment | 1 449 | 1 388 | 1 048 | 965 | 934 | 780 | 796 | 783 | 3 311 |
| Other capital movements | 1 528 | 647 | 231 | -178 | 809 | -442 | -819 | -1 426 | -2 680 |
| Overall balance | 738 | 126 | 505 | 1 424 | 2 600 | 988 | 1 798 | 3 189 | 2 809 |
| Variation in reserve assets e/ | -738 | -126 | -505 | -1 424 | -2 600 | -988 | -1 798 | -3 189 | -2 809 |
| Other external-sector indicators | | | | | | | | | |
| Terms of trade for goods (index: 2010=100) | 96.4 | 97.0 | 102.2 | 110.3 | 104.5 | 100.0 | 98.8 | 106.2 | 95.1 |
| Net resource transfer (millions of dollars) | 1 741 | 518 | -207 | -639 | 242 | -1 164 | -1 427 | -2 106 | -1 027 |
| Total gross external debt (millions of dollars) | 19 825 | 21 577 | 22 235 | 23 333 | 24 982 | 24 462 | 24 571 | 25 207 | 26 857 |

Table 1 (concluded)

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 a/ |
|--|---|------|------|------|------|------|------|------|---------|
| Employment | Average annual rates | | | | | | | | |
| Open unemployment rate g/ | 3.0918446 | 2.9 | 2.6 | 2.7 | 2.5 | 2.4 | 2.2 | ... | 2.2 |
| Prices | Annual percentages | | | | | | | | |
| Variation in consumer prices (December-December) | 4.4 | 2.9 | 3.1 | 4.2 | 5.7 | 2.3 | 3.4 | 4.8 | 3.1 |
| Variation in nominal exchange rate (annual average) | 0.3 | -1.6 | -1.0 | -0.7 | -3.3 | 2.3 | 2.4 | 0.3 | ... |
| Variation in average real wage | -0.1 | 2.5 | 3.4 | -2.0 | -1.0 | 0.7 | ... | ... | ... |
| Nominal deposit rate h/ | 5.5 | 5.5 | 5.5 | 5.5 | 5.4 | 5.2 | 5.0 | 4.6 | 4.1 |
| Nominal lending rate i/ | 13.6 | 13.8 | 13.2 | 13.1 | 13.1 | 12.9 | 12.7 | 12.5 | 12.2 |
| Central government | Percentages of GDP | | | | | | | | |
| Total revenue | 11.8 | 11.7 | 11.1 | 11.5 | 11.4 | 11.3 | 11.2 | 10.7 | 12.4 |
| Tax revenue | 11.5 | 11.3 | 10.8 | 11.2 | 11.1 | 11.0 | 10.9 | 10.5 | 12.1 |
| Total expenditure | 14.0 | 13.6 | 12.6 | 12.6 | 12.8 | 13.2 | 13.4 | 15.6 | 13.5 |
| Current expenditure | 10.9 | 10.6 | 10.3 | 10.4 | 10.5 | 10.6 | 10.7 | 12.6 | 11.2 |
| Interest | 1.6 | 1.5 | 1.6 | 1.5 | 1.5 | 1.5 | 1.6 | 1.7 | 1.7 |
| Capital expenditure | 3.1 | 3.0 | 2.2 | 2.2 | 2.3 | 2.6 | 2.7 | 3.0 | 2.4 |
| Primary balance | -0.6 | -0.4 | 0.1 | 0.4 | 0.1 | -0.3 | -0.6 | -3.2 | 0.6 |
| Overall balance | -2.2 | -1.9 | -1.5 | -1.1 | -1.4 | -1.9 | -2.2 | -4.9 | -1.2 |
| Central government public debt | 25.0 | 24.7 | 24.8 | 25.0 | 24.6 | 26.0 | 25.7 | 31.5 | 30.8 |
| Domestic | 11.8 | 12.9 | 12.6 | 12.7 | 13.1 | 13.6 | 13.9 | 18.0 | 17.9 |
| External | 13.1 | 11.8 | 12.2 | 12.3 | 11.6 | 12.4 | 11.8 | 13.5 | 12.9 |
| Money and credit | Percentages of GDP, end-of-year stocks | | | | | | | | |
| Domestic credit | 37.6 | 39.2 | 40.6 | 40.5 | 38.6 | 38.6 | 36.8 | 39.6 | 38.6 |
| To the public sector | 8.1 | 8.9 | 8.6 | 7.9 | 7.5 | 8.9 | 9.4 | 11.9 | 10.4 |
| To the private sector | 33.1 | 33.5 | 35.3 | 35.7 | 35.2 | 35.0 | 34.1 | 35.9 | 35.9 |
| Others | -3.7 | -3.2 | -3.3 | -3.1 | -4.1 | -5.4 | -6.6 | -8.2 | -7.6 |
| Monetary base | 10.3 | 10.5 | 10.9 | 11.8 | 12.6 | 12.9 | 13.3 | 17.2 | 17.4 |
| Money (M1) | 15.7 | 15.6 | 16.2 | 16.3 | 17.1 | 17.7 | 18.5 | 23.0 | 23.1 |
| M2 | 35.6 | 35.9 | 37.4 | 38.1 | 39.8 | 41.4 | 42.9 | 50.3 | 49.9 |
| Foreign-currency deposits | 12.3 | 12.1 | 11.9 | 11.5 | 11.0 | 11.8 | 10.8 | 12.5 | 11.3 |

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.