

# GUATEMALA

**Table 1** **2023**

Population, million	17.6
GDP, current US\$ billion	100.5
GDP per capita, current US\$	5710.0
International poverty rate (\$2.15) <sup>a</sup>	9.5
Lower middle-income poverty rate (\$3.65) <sup>a</sup>	25.9
Upper middle-income poverty rate (\$6.85) <sup>a</sup>	55.4
Gini index <sup>a</sup>	48.3
School enrollment, primary (% gross) <sup>b</sup>	103.9
Life expectancy at birth, years <sup>b</sup>	69.2
Total GHG emissions (mtCO2e)	40.9

Source: WDI, Macro Poverty Outlook, and official data.  
a/ Most recent value (2014), 2017 PPPs.  
b/ WDI for School enrollment (2022); Life expectancy (2021).

Guatemala possesses the macroeconomic stability required to foster inclusive growth yet struggles to implement reforms to quicken growth and alleviate poverty and inequality. GDP growth forecast ranges from 3 to 3.5 percent in the medium term, with poverty and inequality projected to stay among the highest in the region. Significant risks to this outlook include natural disasters, political instability, and volatility in commodity prices.

## Key conditions and challenges

Guatemala is recognized for its stable macroeconomic environment. Over the past five years, the average GDP growth was 3.6 percent, reserves stayed at comfortable levels and public debt remained at 28 percent of GDP, despite the economic disruptions caused by COVID-19 and the food and fuel crisis.

Despite this stability, underlying challenges persist, such as stagnant productivity growth and insufficient human capital development. The Human Capital Index has shown little improvement, moving from 0.44 in 2010 to 0.46 in 2020. Human development outcomes are particularly low among Indigenous Peoples, Afro-descendants, and residents of remote areas. Economic growth has primarily been driven by capital accumulation and labor force expansion, with the latter expected to increase until 2044. However, labor force participation remains relatively low at 60 percent in 2022, especially among women.

Poverty and inequality have seen minimal change over the last decade. Over half of the population lives below the poverty line (\$6.85, 2017 PPP), one of the highest poverty rates in Central America. Multidimensional poverty is predominantly rural, with 46 percent of the population living in these areas, accounting for 73 percent of the impoverished. The labor market is characterized

by high informality, with over 70 percent of the employed population working informally, and this figure rises to nearly 75 percent among women, particularly in the agricultural sector. Additionally, in 2022, 56.9 percent of households lacked access to at least one basic service, such as clean water, sanitation, electricity, or waste collection.

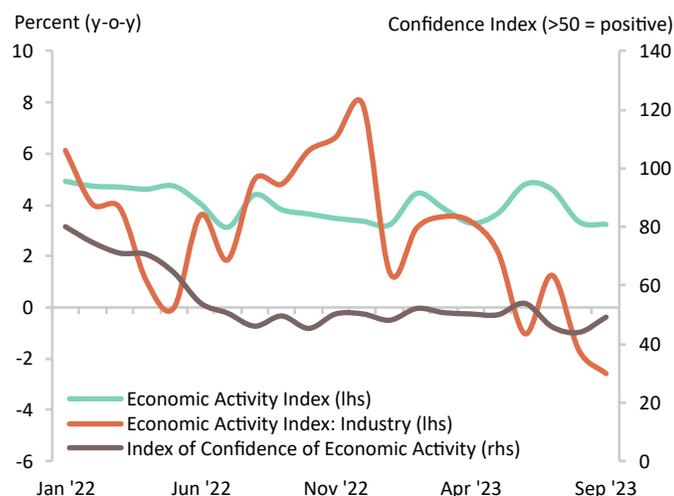
Guatemala would benefit from reforms that enhance productivity and foster inclusive growth. This requires improved infrastructure, education, business environment, and expanded social protection programs, which in turn entails more effective and increased spending. Historically, Guatemala has struggled to implement revenue-increasing reforms. The new government, which assumed office in January, faces significant challenges in passing reforms through Congress, even for less contentious issues.

## Recent developments

In 2023, GDP growth decelerated from 4.1 percent in the previous year to 3.5 percent, despite stronger growth in the US and increased remittances. The presidential elections and the ensuing complex transition dampened business confidence, which has remained below 50 since mid-2023.

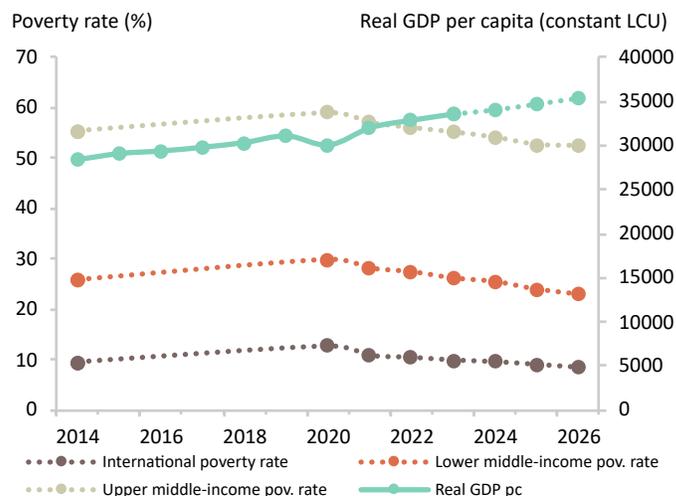
Inflation saw a substantial decline, dropping from 9.7 percent in January to 4.2 percent by December 2023, aided by reduced food and energy prices and a tighter monetary policy that maintained the interest rate at 5 percent since March.

**FIGURE 1 Guatemala / Economic Activity Index (EAI) and Index of Confidence of Economic Activity (ICEA)**



Source: Banco de Guatemala.

**FIGURE 2 Guatemala / Actual and projected poverty rates and real GDP per capita**



Source: World Bank. Notes: see Table 2.

Despite rising real interest rates throughout the year, credit to the private sector grew by 15 percent in 2023. The banking sector has remained robust and profitable, with a non-performing loan ratio of 1.8 percent.

The current account surplus is estimated to have grown to nearly 4 percent of GDP, attributed to a reduced trade deficit, improved terms of trade, and higher remittance inflows. Fiscal accounts showed a modest improvement from 2022 to 2023, with the budget deficit narrowing from 1.7 to 1.4 percent of GDP due to a moderate revenue increase and stable expenditures. Public debt remained low at 28.3 percent of GDP.

Lower inflation, remittance growth, and moderate growth have contributed to poverty reduction, with estimates showing a decrease to 55 percent (U\$6.85 2017 PPP poverty line) in 2023, from 56 in 2022. However, the labor market's limited dynamism and persistent high informality, have kept poverty rates above pre-pandemic levels (54 percent in 2019). Inequality is also estimated to have remained higher than pre-pandemic levels (49 in 2023 vs. 48.5 in 2019), reflecting entrenched social and geographical disparities.

## Outlook

Economic activity slowed in 2023 and is expected to continue into 2024. The delayed effects of higher interest rates and low confidence will be felt, and El Niño will reduce agricultural yields in 2024. GDP growth is projected to moderate to 3 percent in 2024 due to lower consumption and government investment. A gradual increase is expected in 2025, as interest rates are reduced, El Niño's impact lessens, and business confidence recovers.

Inflation is predicted to rise in the first half of 2024, driven by food prices affected by El Niño-induced droughts. External accounts are expected to remain in surplus, though at a reduced level, due to an increased trade deficit and slower remittance growth. Poverty rates (U\$6.85 2017 PPP poverty line) are projected to stay close to 54.1 percent in 2024, as the sluggish agricultural sector and inflationary pressures persist, and poverty using the U\$2.15 line (2017 PPP) is anticipated to remain near 9.6 percent.

The fiscal outlook remains uncertain. The courts have suspended the approved 2024 budget, and the government is currently operating under the 2023 expenditure

ceiling, while projected revenues for 2024 are higher than those budgeted for 2023, which would yield a strong fiscal consolidation in 2024. The government has set a higher tax revenue target and intends to request an increase in the expenditure ceiling by 13 million LCU. Given the president's lack of a congressional majority, it is not clear that Congress will approve the increased expenditures in full. In lack of better guidance, the forecast assumes a nominal expenditure increase of 4 million LCU in 2024 compared to 2023, which would yield a deficit of 0.5 percent of GDP in 2024.

The main downside risks to the economic outlook include natural disasters, rising commodity prices, and political deadlock. Increases in commodity prices due to climate events like La Niña or geopolitical conflicts in the Middle East can lead to inflation spikes. Disruptions in global trade routes from such conflicts and droughts in the Panama Canal could increase freight costs and reduce supply, triggering inflation. The growing political impasse among all branches of government could prevent Guatemala from enacting reforms and implementing policies to tackle poverty and low productivity, potentially undermining its macroeconomic stability.

**TABLE 2 Guatemala / Macro poverty outlook indicators**

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
<b>Real GDP growth, at constant market prices</b>	8.0	4.1	3.5	3.0	3.5	3.5
Private consumption	8.5	4.2	4.0	3.8	3.7	3.7
Government consumption	4.9	7.2	5.0	3.0	3.5	3.5
Gross fixed capital investment	19.8	3.5	6.0	4.8	4.1	4.1
Exports, goods and services	10.3	7.0	-1.0	2.7	3.5	3.5
Imports, goods and services	19.5	4.4	3.7	5.6	4.2	4.2
<b>Real GDP growth, at constant factor prices</b>	7.8	4.4	3.5	3.0	3.5	3.5
Agriculture	4.3	2.6	3.0	0.5	3.5	3.0
Industry	8.6	4.6	2.5	2.0	3.3	3.3
Services	8.1	4.6	4.0	3.7	3.6	3.6
<b>Inflation (consumer price index)</b>	4.3	6.9	6.3	4.8	3.7	3.5
<b>Current account balance (% of GDP)</b>	2.2	1.3	3.8	3.4	3.3	3.3
<b>Net foreign direct investment inflow (% of GDP)</b>	3.8	1.3	1.8	1.9	1.9	2.0
<b>Fiscal balance (% of GDP)</b>	-1.2	-1.7	-1.4	-0.5	-0.5	-0.4
<b>Revenues (% of GDP)</b>	12.4	12.7	12.9	13.5	13.7	14.0
<b>Debt (% of GDP)</b>	30.8	29.2	28.3	27.4	26.4	25.6
<b>Primary balance (% of GDP)</b>	0.6	0.0	0.3	1.2	1.3	1.3
<b>International poverty rate (\$2.15 in 2017 PPP)<sup>a,b</sup></b>	10.8	10.4	9.9	9.6	9.0	8.4
<b>Lower middle-income poverty rate (\$3.65 in 2017 PPP)<sup>a,b</sup></b>	28.1	27.4	26.2	25.5	24.0	23.1
<b>Upper middle-income poverty rate (\$6.85 in 2017 PPP)<sup>a,b</sup></b>	57.0	56.0	55.1	54.1	52.6	52.4
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	4.8	3.4	2.7	2.6	2.7	2.7
<b>Energy related GHG emissions (% of total)</b>	51.2	51.9	52.3	52.7	53.1	53.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on SEDLAC harmonization, using 2014-ENCOVI. Actual data: 2014. Nowcast: 2015-2023. Forecasts are from 2024 to 2026.

b/ Projections using microsimulation methodology.