

GUATEMALA

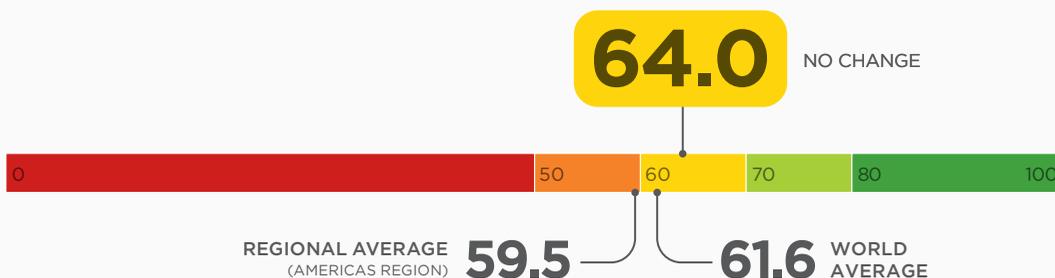
Guatemala's economic freedom score is 64.0, making its economy the 75th freest in the 2021 *Index*. Its overall score is unchanged, with an improvement in the **tax burden** score offset by declines in **trade freedom** and other scores. Guatemala is ranked 15th among 32 countries in the Americas region, and its overall score is above the regional and world averages.

The Guatemalan economy remains in the moderately free category where it has been for more than a decade. To achieve greater economic freedom, the government would have to implement a deep, broad-based, and comprehensive set of reforms to strengthen its rule-of-law institutions. Their relative ineffectiveness is reflected in low *Index* scores for the property rights, judicial effectiveness, and government integrity indicators.

IMPACT OF COVID-19: As of December 1, 2020, 4,178 deaths had been attributed to the pandemic in Guatemala, and the economy was forecast to contract by 2.0 percent for the year.

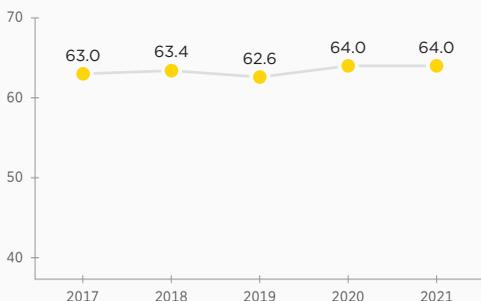


ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +2.0

RECENT FREEDOM TREND



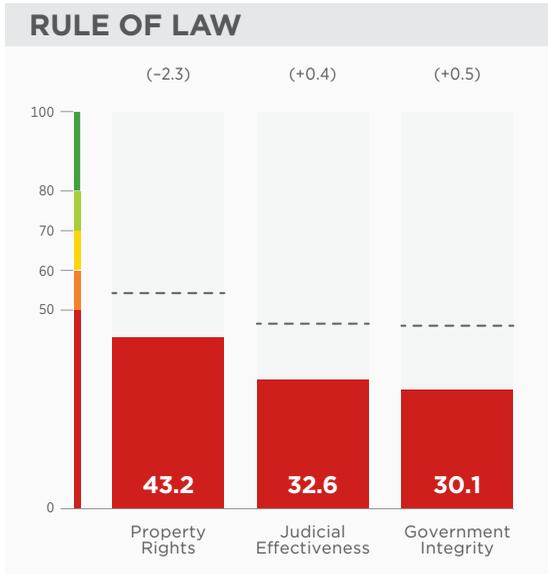
QUICK FACTS

POPULATION: 16.6 million	UNEMPLOYMENT: 2.5%
GDP (PPP): \$152.8 billion 3.6% growth in 2019 5-year compound annual growth 3.3% \$8,996 per capita	INFLATION (CPI): 3.7%
	FDI INFLOW: \$998.2 million
	PUBLIC DEBT: 34.7% of GDP

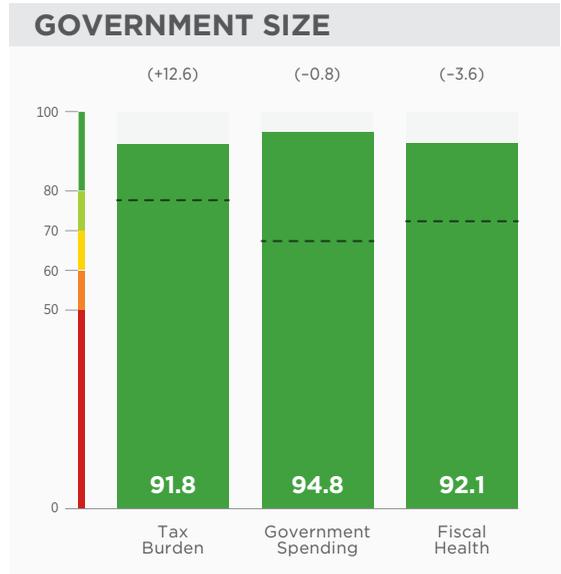
2019 data unless otherwise noted. Data compiled as of September 2020

BACKGROUND: After a multi-decade guerrilla war that killed more than 200,000 people ended in 1996, macroeconomic and political reforms attracted foreign investment in Guatemala. Alejandro Giammattei of the center-right Vamos party began his four-year term in January 2020. Giammattei's economic growth agenda is focused on market-based policies, expanding cross-border trade with neighboring Mexico, and overcoming his predecessor's corrupt legacy. Guatemala suffers from a lack of inclusive economic growth, and job creation is needed to forestall emigration pressures. Remittances are nearly 14 percent of GDP. More than half of the population lives in poverty, and 50 percent of children under five years of age are chronically malnourished. Gang violence and drug trafficking continue to impede economic development.

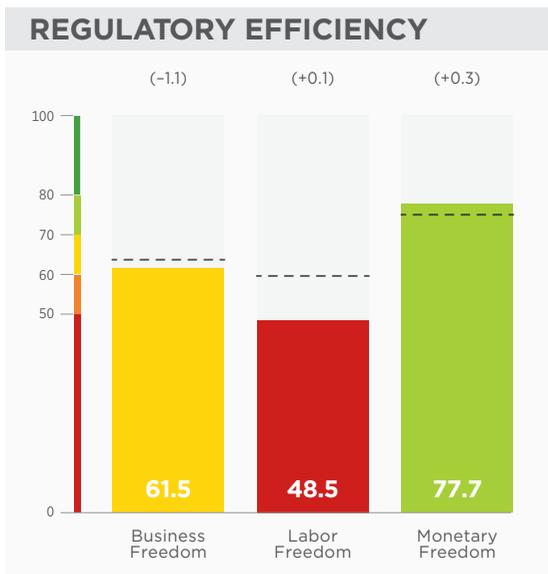
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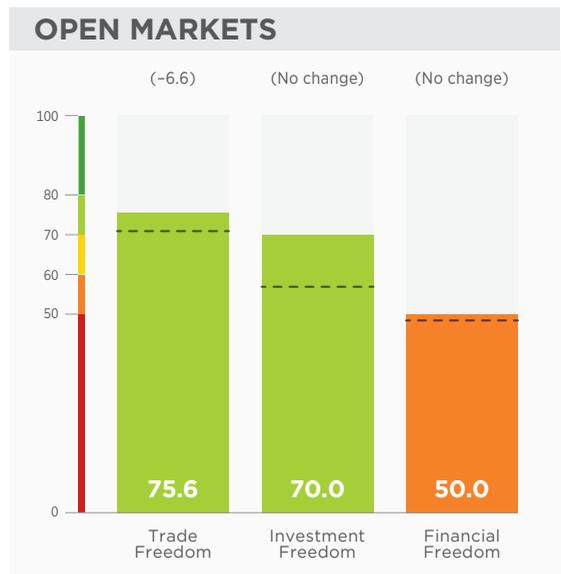
Although property rights are defined by statute, their protection is inadequate. Defects in titles and ownership gaps in the public record can lead to conflicting claims of land ownership, especially in rural areas. The judiciary is hobbled by corruption, inefficiency, capacity shortages, and the intimidation of judges and prosecutors. Corruption, which is often linked to narco-trafficking and organized crime, remains a serious problem.



The top individual income tax rate is 7 percent, and the top corporate tax rate is 25 percent. Other taxes include value-added and real estate taxes. The overall tax burden equals 12.2 percent of total domestic income. Government spending has amounted to 13.2 percent of total output (GDP) over the past three years, and budget deficits have averaged 1.9 percent of GDP. Public debt is equivalent to 34.7 percent of GDP.



Guatemala has lost ground in business freedom as other countries, on average, have outpaced it in implementing business-friendly reforms. Over two and a third times more people work in the informal sector than in the formal sector. Remittances from Guatemala's large expatriate community in the U.S. are the largest in Central America. The state heavily subsidizes electricity.



Guatemala has nine preferential trade agreements in force. The trade-weighted average tariff rate is 4.7 percent, and 30 nontariff measures are in effect. No impediments to the formation of joint ventures or the purchase of local companies by foreign investors are in force, but inefficient regulatory systems discourage investment. The banking sector is relatively stable. The overall financial sector is underdeveloped, and a modern capital market is largely absent.