WORLD RANK: **69** | REGIONAL RANK: **15**

ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

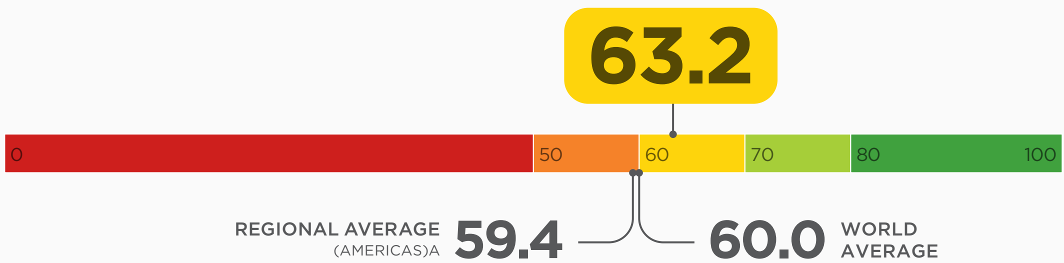
GUATEMALA

Guatemala's economic freedom score is 63.2, making its economy the 69th freest in the 2022 *Index*. Guatemala is ranked 15th among 32 countries in the Americas region, and its overall score is above the regional and world averages.

Over the past five years, Guatemala's economic growth accelerated from 2017 to 2019, turned negative in 2020, and recovered in 2021. Economic freedom has remained largely unchanged in Guatemala for the past half-decade. With improved **judicial effectiveness** offset by declining **fiscal health**, Guatemala has recorded an almost negligible 0.2-point overall gain in economic freedom since 2017 and remains in the lower half of the "Moderately Free" category. The economy is not heavily burdened by taxes and **government spending**, but **property rights**, **government integrity**, and **labor freedom** are weak.

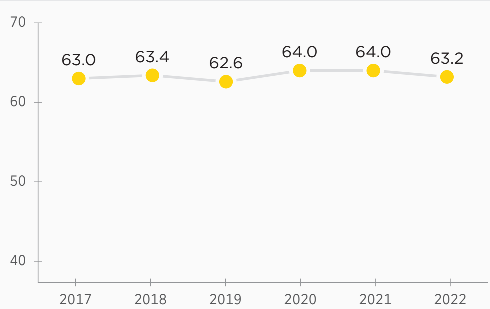
IMPACT OF COVID-19: As of December 1, 2021, 15,956 deaths had been attributed to the pandemic in Guatemala, and the government's response to the crisis ranked 106th among the countries included in this *Index* in terms of its stringency. The economy contracted by 1.5 percent in 2020.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +1.2

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
16.9 million

GDP (PPP):
$149.0 billion
–1.5% growth
in 2020
5-year compound
annual growth 2.3%
$8,293 per capita

UNEMPLOYMENT:
4.7%

INFLATION (CPI):
2.4%

FDI INFLOW:
$915.0 million

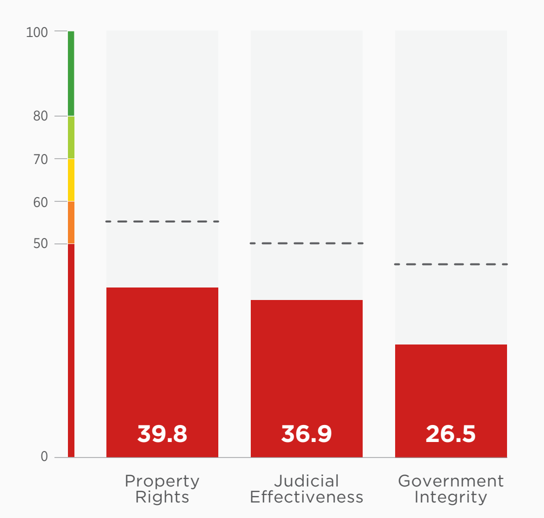
PUBLIC DEBT:
31.7% of GDP

2020 data unless otherwise noted. Data compiled as of September 2021

BACKGROUND: After a multi-decade guerrilla war that killed more than 200,000 people ended in 1996, stability and reforms attracted foreign investment. President Alejandro Giammattei of the center-right Vamos party began his four-year term in 2020. His priorities include business-led growth, expanded trade with Mexico, and removal of the International Commission Against Impunity in Guatemala, a politicized and left-leaning U.N.-sponsored anticorruption commission. Nevertheless, government corruption must be addressed. Economic growth is not broadly shared. Job creation is needed to forestall emigration. Remittances are nearly 14 percent of GDP. More than half of the population lives in poverty, and many children are malnourished. Gang violence and drug trafficking continue to impede economic development.

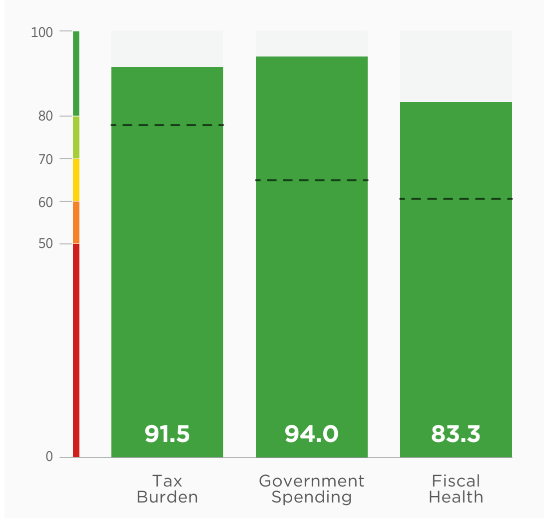
12 ECONOMIC FREEDOMS | GUATEMALA

RULE OF LAW



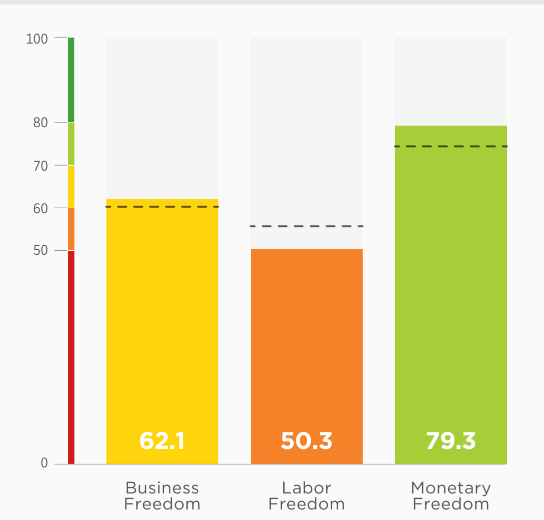
Protection of property rights is inadequate. Defects in titles and ownership gaps in the public record can lead to conflicting claims of land ownership, especially in rural areas. Rule of law is not well established. The judicial system is weak, overworked, ill-trained in complex commercial cases, and inefficient. Pervasive corruption, often linked to narco-trafficking and organized crime, remains a serious problem, especially in government procurement and customs.

GOVERNMENT SIZE



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 13.1 percent of total domestic income. Government spending has amounted to 14.1 percent of total output (GDP) over the past three years, and budget deficits have averaged 3.0 percent of GDP. Public debt is equivalent to 31.7 percent of GDP.

REGULATORY EFFICIENCY



Ambiguous rules for businesses, unpredictable judicial decisions, and bureaucratic barriers hurt business freedom. The prevalence of unskilled and inexpensive labor allows employers to use labor-intensive production methods. Universities focus on social sciences, making technical and managerial workers hard to find. The government subsidizes electricity and the operations of state-owned ports on the country's Caribbean and Pacific coasts.

OPEN MARKETS

Guatemala has 10 preferential trade agreements in force. The trade-weighted average tariff rate is 5.0 percent, and 30 nontariff measures are in effect. Technically, foreign investors receive national treatment, but regulatory hurdles can serve as barriers to investment. The financial sector is dominated by bank-centered financial conglomerates, and the five largest banks account for more than 60 percent of total assets.