EXECUTIVE SUMMARY

This document reviews and analyzes the recent behavior of Guatemala’s economic activity to determine the potential impact on the Guatemalan economy of the fight against corruption.

Economic growth in 2017 was slower than in the previous year and down from the initial BANGUAT estimate. Some people argue that this was due to the implementation of joint MP-CICIG anticorruption measures. Official data, however, indicated that the factors affecting the economic slowdown included, on the aggregate demand side, the following: a higher inflation rate; slower growth of private sector bank lending; the government’s austerity spending policy; budget execution roadblocks in most state agencies; the government’s inability to increase tax revenue; and a nominal appreciation of the quetzal-dollar exchange rate.

On the production side, the contraction of mining and quarrying – a consequence of the temporary suspension of the San Rafael mine and closing of the Marlin Mine operations – had a limited economic effect due to their relatively small share of total production and reduced number of productive linkages.

From a regional standpoint, the economy of Central American countries as a whole has been slower in recent years. The data reveal that the behavior of the Guatemalan economy is closely linked to that of the U.S., though with somewhat of a time lag. This would suggest that the recent rebound of the U.S. economy will be reflected in the Guatemalan economy in the near future, in line with BANGUAT and IMF projections.

Given the impossibility of a controlled experiment to accurately measure the direct effect of anticorruption policies on an economy, economic literature has attempted to estimate it indirectly using corruption perception measurements. ICEFI thus conducted an econometric analysis of Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama and the Dominican Republic that suggested that countries with less corruption tend to have a higher rate of economic growth. Furthermore, the results indicate that for Guatemala a three-point uptick on Transparency International’s Corruption Perceptions Index is associated with an increase of just over 0.9% of per capita GDP.

ICEFI draws the following three conclusions from this analysis: the slower growth of the Guatemalan economy comes in response to its own dynamics; the recent economic slowdown is characteristic of the Central American region as a whole, not just Guatemala; and corruption has a negative impact on economic activity in the Central American region, whose main transmission channel is investment. Contrary to what some may argue, then, anticorruption measures such as those launched by the MP and CICIG help create a favorable environment for increasing economic growth in Guatemala because they reduce the avenues for corruption and strengthen the government’s effectiveness as a provider of wellbeing.