

BEST'S COUNTRY RISK REPORT

Guatemala

CRT-4

August 22, 2018

Region: Latin America

[Country Risk Criteria Procedures](#)

[Guide to Best's Country Risk Tiers](#)

- The Country Risk Tier (CRT) reflects A.M. Best's assessment of three categories of risk: Economic, Political, and Financial System Risk.
- Guatemala, a CRT-4 country, has a moderate level of economic risk and high levels of political and financial system risk.
- The country's economy, while growing steadily, is hampered by elevated crime rates, poverty, and the agricultural sector's vulnerability to severe weather and climate change. GDP growth was 2.8% in 2017 and is expected to accelerate slightly to 3.2% in 2018.
- The map depicts the countries in Central and South America and the Caribbean that A.M. Best evaluates. The majority of Latin American countries are categorized as CRT-3, CRT-4, or CRT-5.



Economic Risk



Political Risk



Financial System Risk

- Country Risk Tier 1 (CRT-1)** Very Low Level of Country Risk
- Country Risk Tier 2 (CRT-2)** Low Level of Country Risk
- Country Risk Tier 3 (CRT-3)** Moderate Level of Country Risk
- Country Risk Tier 4 (CRT-4)** High Level of Country Risk
- Country Risk Tier 5 (CRT-5)** Very High Level of Country Risk

Regional Summary: Latin America

- Growth in the region is likely to continue in 2018 due to expanding global growth, rebounding commodity prices, and strengthening domestic demand. However, risks are tilted to the downside owing to rising domestic political uncertainty, currency volatility, growing trade protectionism, rising fiscal deficits, and negative spillover effects from international financial markets.
- Conditions are largely positive, but several countries in the region are experiencing heightened risk. Years of unsustainable social programs, higher spending, and growing corruption have led to significant challenges for Venezuela, as well as Brazil and Argentina, albeit to a lesser extent.
- So far this year, there have been several presidential elections in Colombia, Mexico, and Venezuela; Brazil's is scheduled for later this year. The election environment is complex owing to mounting social conflicts, corruptions scandals, and policy uncertainty. According to the IMF's 2017 estimates, four countries are responsible for the largest proportion of the region's economic output: Brazil at USD2,055 billion, Mexico at USD1,149 billion, Colombia at USD309 billion, and Venezuela at USD210 billion.

Vital Statistics 2017

Nominal GDP	USD bn	75.66
Population	mil	16.9
GDP Per Capita	USD	4,472
Real GDP Growth	%	2.8
Inflation Rate	%	4.4

United Nations Estimates

Literacy Rate	%	81.5
Urbanization	%	52.5
Dependency Ratio	%	68.7
Life Expectancy	Years	72.6
Median Age	Years	22.1

Insurance Statistics

Insurance Regulator	Banking Superintendency	
Premiums Written (Life)	USD mil	194
Premiums Written (Non-Life)	USD mil	738
Premiums Growth (2016 - 2017)	%	3.4

Regional Comparison

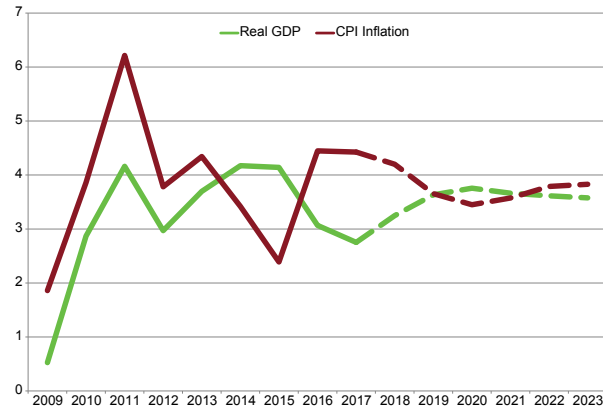
	Country Risk Tier
Guatemala	CRT-4
Costa Rica	CRT-4
El Salvador	CRT-4
Honduras	CRT-5
Nicaragua	CRT-5
Panama	CRT-4

Source: IMF, UN, Swiss Re, Axco and A.M. Best



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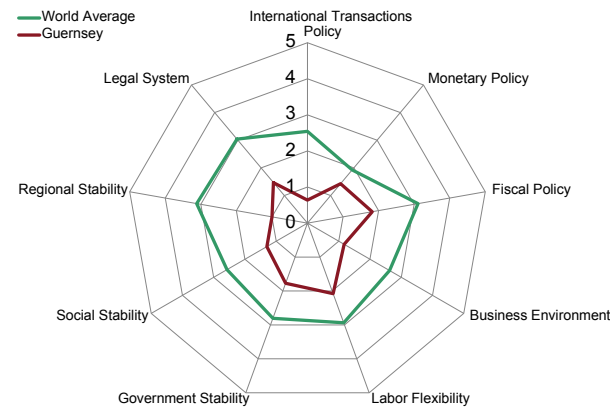
Economic Growth (%)



Source: IMF World Economic Outlook and A.M. Best

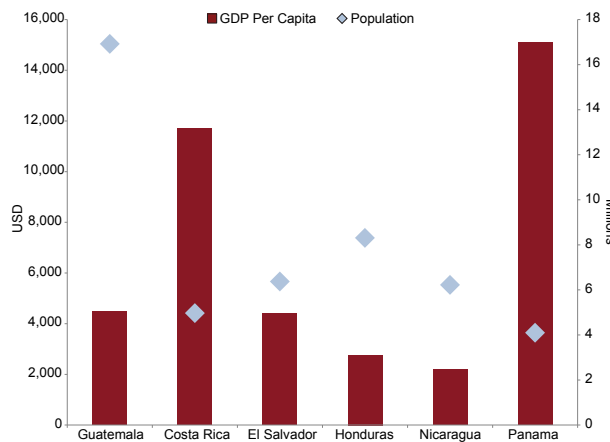
Political Risk Summary

Score 1 (best) to 5 (worst)



Source: A.M. Best

GDP Per Capita and Population



Source: IMF and A.M. Best

Economic Risk: Moderate

- Guatemala's economy relies on remittances and agricultural sector exports, which account for more than 10% of GDP. Agriculture employs more than 30% of the labor force.
- Poverty is widespread with more than half the population living below the poverty line and nearly a quarter living in extreme poverty. The distribution of wealth is highly uneven. GDP per capita is approximately half the average of other Latin American countries.
- Established free trade zones in the country allow for low taxation and lower business operation costs. Government services, however, are limited due to low government revenue and poor tax collection.
- The economy has been growing at a solid rate owing to healthy consumer spending and positive economic growth in the US, contributing to an increase in remittance inflows for Guatemala and rising exports. Because of rising oil prices, imports are projected to remain moderate.

Political Risk: High

- President Jimmy Morales ran on an anti-corruption platform but has been subject to corruption allegations himself, which damages his reputation and will continue to affect his ability to implement his agenda. Morales also faces a divided legislative body that requires coalitions to pass legislations, leading to potential delays.
- Enhancing efficiency in tax collection remains a priority for Morales, who introduced an aggressive tax collection policy in an effort to lower the non-payment rate.
- Corruption is high in multiple sectors, destabilizing the government and triggering major protests. There is also considerable social unrest owing to environmental concerns and labor disputes, raising property damage risks. Violent crime due to organized crime, cartels, and street gangs is high.
- The judiciary lacks transparency and efficiency. The World Economic Forum ranked Guatemala's judicial independence 89 out of 137 countries. Long and costly legal processes dampen business and public confidence.

Financial System Risk: High

- The Banking Superintendency is responsible for supervision of the insurance sector.
- The absence of a securities regulator has resulted in a lack of capacity and efficiency in the capital markets.
- The IMF has recommended the gradual introduction of Basel III standards, improvements to the regulation of off-shore banks, and adoption of an anti-money laundering framework to combat terrorism financing.
- The taxation system requires improvement, as it lacks modernized tax laws and the tax base is narrow. The large informal sector further reduces revenues collected from taxation. Government revenue is ranked 207 out of 220 by the CIA.