



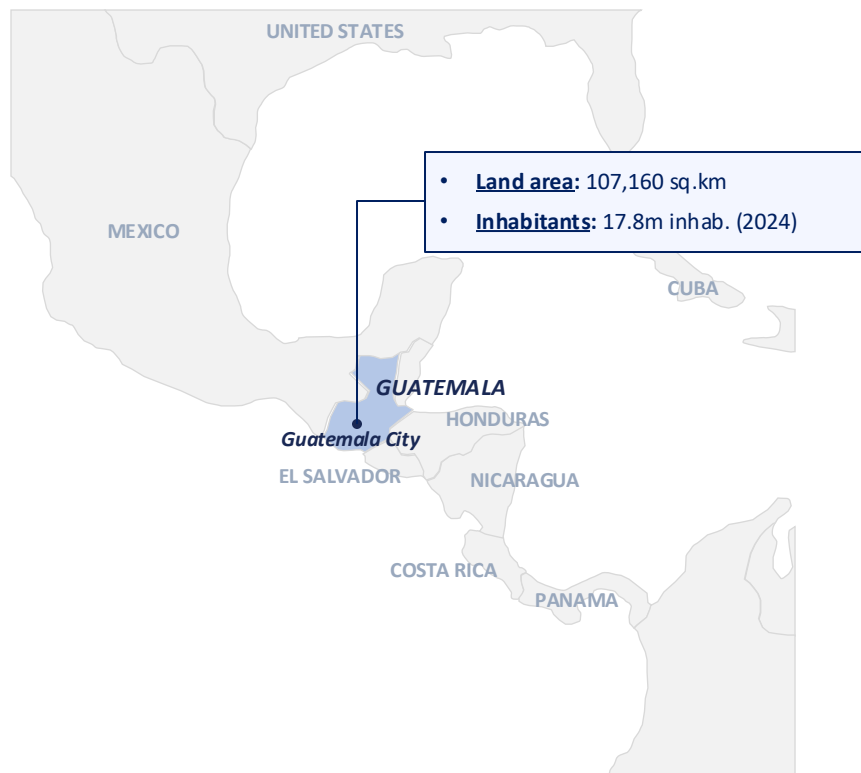
Ministerio de **Finanzas Públicas**

Investor Presentation – NY Roadshow

September, 2024

Republic of Guatemala – A brief overview

Map of Central America and Guatemala



Credit rating

S&P Global
BB (pos.)

MOODY'S
Ba1 (stable)

Fitch
BB (stable)

Key macroeconomic figures – as of 2023, unless stated otherwise

REAL ECONOMY

Nominal GDP (LC and USDbn)	GTQ 818bn, and USD 104.4bn
Real GDP growth (2023, %)	3.5%
Inflation rate (2023 avg., %)	4.2%

FISCAL SECTOR

Overall fiscal balance (2023)	-1.3% of GDP
Public sector debt stock (2023)	27.2% of GDP

EXTERNAL SECTOR

Current account balance (2023)	USD 3.1bn
Net FDI inflows (2023)	USD 1.6bn
Net internat'l reserves (2023)	USD 21.3bn

CURRENCY

Currency name	Quetzal (GTQ)
FX rate ¹ (latest, GTQ/USD)	0.129

Executive summary

- **The Guatemalan economy evidences very macroeconomic fundamentals that have allowed Guatemala to successfully navigate through the most recent exogenous shocks.** These include:
 - ✓ A robust and stable economic growth
 - ✓ A strong external position
 - ✓ A longstanding track-record of fiscal performance, across the cycles
- **The new administration is strongly committed to building on these strengths and further enhancing Guatemala's economic fundamentals through an ambitious reform agenda.** This reform plan is combining:
 - ✓ A set of institutional reforms – among which the implementation of regulation to simplify the administrative requirements and procedures, the modification of frameworks for public-private partnerships or public procurement, with
 - ✓ A targeted set of fiscal initiatives, which are aimed to unlock the country's growth potential in a sustainable manner, through the increasing share of public investment in social programs and infrastructure
- **This reform agenda is praised by leading international economic actors**, such as the IMF and the credit rating agencies, which have repeatedly outlined the country's strong creditworthiness and its **clear path towards investment grade**
- **Building on strong economic fundamentals and a unique momentum, Guatemala stands as a safe and compelling investment destination**

Agenda

1 Guatemala' strong economic fundamentals, successfully tested over the years

2 An ambitious economic reform plan, to sustainably enhance growth potential

3 Guatemala stands a sound investment destination

4 Q&A

Agenda

1 Guatemala' strong economic fundamentals, successfully tested over the years

2 An ambitious economic reform plan, to sustainably enhance growth potential

3 Guatemala stands a sound investment destination

4 Q&A

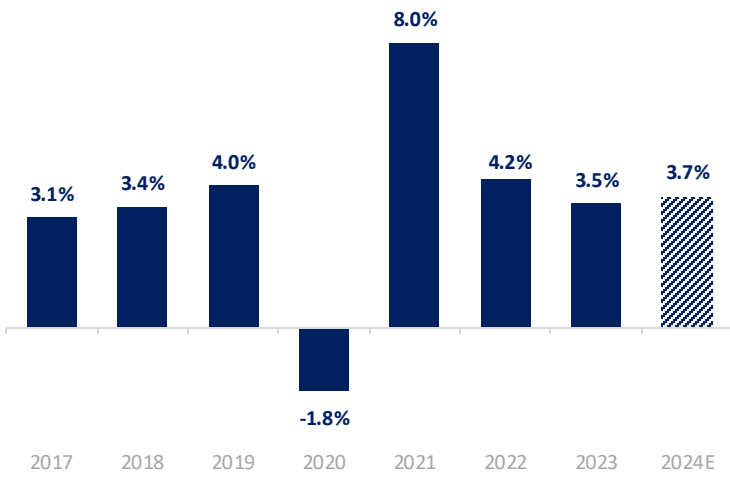
1

Guatemala's growth performance has been remarkably strong and stable

Guatemala's economy has been dynamic and resilient to exogenous shocks, as confirmed by the swift recovery from the pandemic. It is mainly fueled by domestic consumption, nurtured by steady remittance inflows from foreign workers

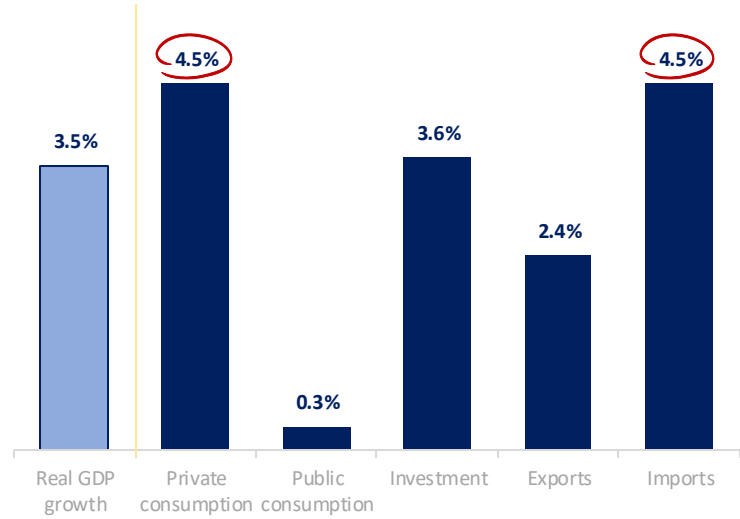
A resilient and stable economic growth ...

Real GDP growth (%)



... notably driven by the dynamic private consumption

Contribution to real GDP growth in 2023 (pp)



“

Guatemala's economy has reported steady growth at annual rates of some 3.5% over the past 20 years, a trend we expect to persist

MOODY'S Credit Opinion (Jul-24)

“

The robustness of private consumption – funded by remittances and double-digit bank credit growth – contrasts with weaker exports (also in volumes)



Article IV Consultation (Aug-24)

Guatemala's external position has remained high across the cycles

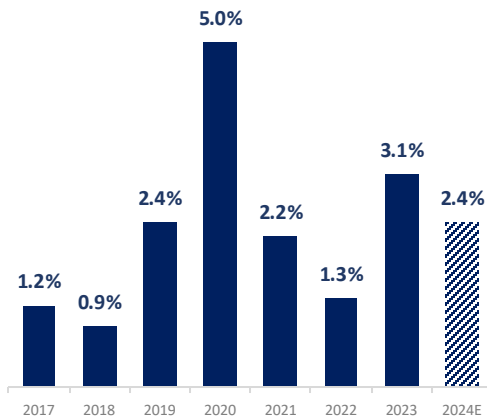
Guatemala's external position has remained very solid over the past years, building on consistent current account surpluses and remittance inflows. Besides, it is strongly anchored by a stable exchange rate and high FDI attractiveness

A track record of current account surpluses

Remittances inflows (% of GDP)

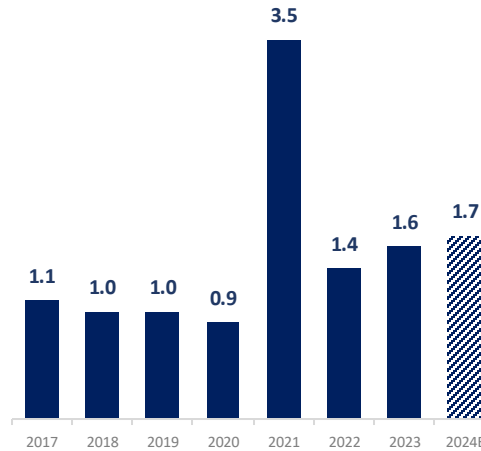


Current account balance (% of GDP)



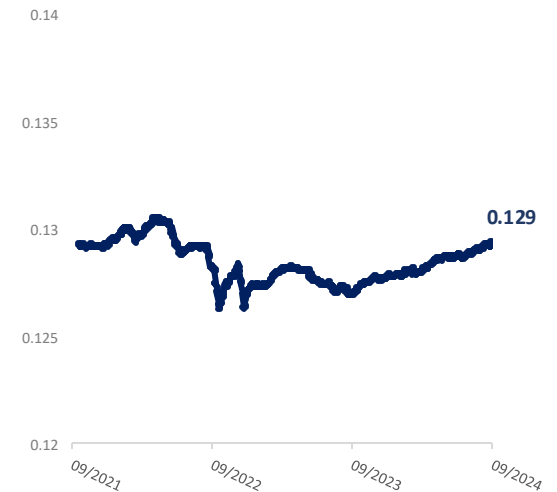
A stable and continuous FDI attractiveness

FDI inflows (in USDbn)



A stable foreign exchange rate

FX Rate (GTQ/USD)



“

The country historically posts a small current account deficit that is mostly covered by foreign direct investments. In recent years, the current account has been in surplus, boosted by large remittance inflows

MOODY'S

Credit Opinion (Jul-24)

“

A high level of reserves, financed by consistent current account surpluses, allows the central bank to maintain the currency's stability through FX interventions

**OXFORD
ECONOMICS**

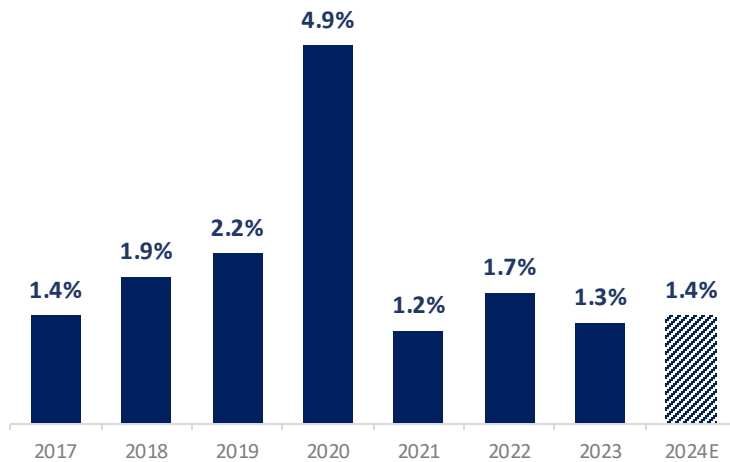
Country Economic Forecast (May-24)

1 Guatemala has sustained a healthy fiscal discipline

The Guatemalan economy can leverage on the longstanding commitment of authorities to macro and fiscal stability. In particular, a longstanding track-record of very limited fiscal deficits have led to one of the lowest (and declining) indebtedness ratios in the world

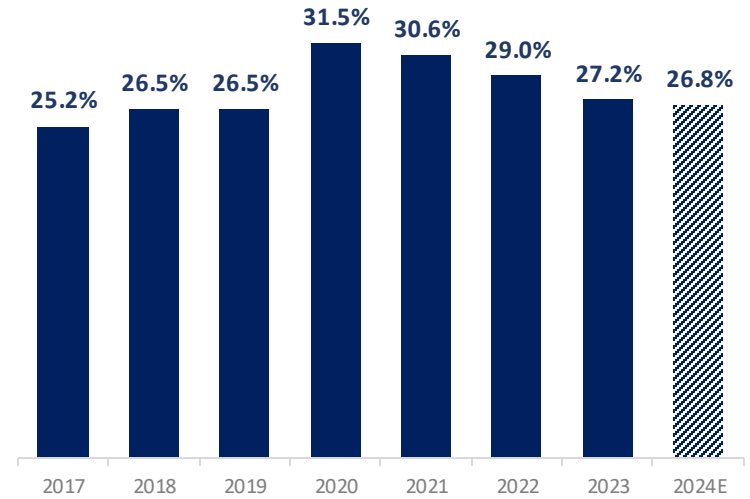
A track record of cautious fiscal management ...

Overall fiscal deficit (% of GDP)



... has led to a very contained indebtedness

Public sector debt (% of GDP)



“
Guatemala has a long track record of cautious macroeconomic policies even during periods of political uncertainty such as last year's presidential election and power transition

S&P Global Research Update (Apr-24)

“
The Guatemalan economy continues to show stability and soundness thanks to a legacy of prudent monetary and fiscal policies – with (...) contained fiscal deficits, and a low public debt-to-GDP ratio

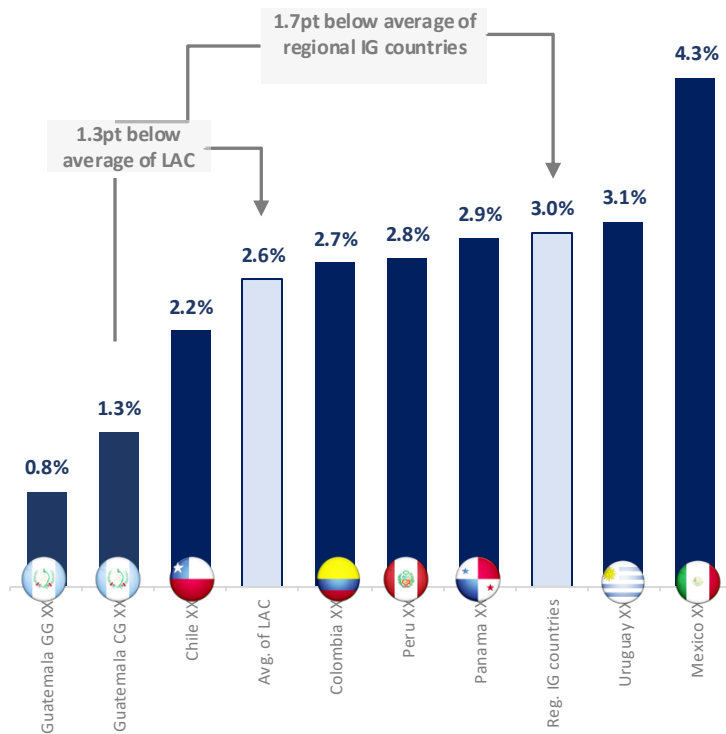
 Article IV Consultation (Aug-24)

Guatemala has sustained a healthy fiscal discipline (cont'd)

The Guatemalan economy shows a fiscal deficit lower than that of the countries in the region, leading to lower levels of debt below the average of Latin American and Caribbean countries and countries in grade of investment in the region

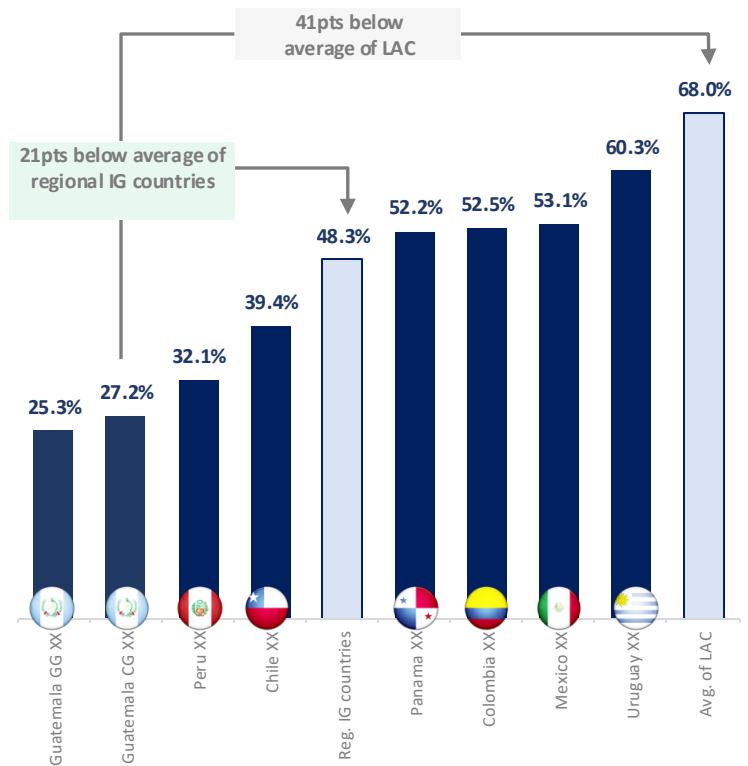
A track record of cautious fiscal management ...

Overall fiscal deficit in 2023 (% of GDP)



... has led to a very contained indebtedness

Public sector debt in 2023 (% of GDP)



- *Guatemala's fiscal position stands out compared to regional peers, both in terms of fiscal deficit and in terms of debt*
- *The fiscal position is materially stronger than the one of regional investment grade countries, which underlines the strong creditworthiness of Guatemala*

Sources: IMF, Ministry of Public Finances

Agenda

1 Guatemala' strong economic fundamentals, successfully tested over the years

2 An ambitious economic reform plan, to sustainably enhance growth potential

3 Guatemala stands a sound investment destination

4 Q&A

A set of structural reforms to enhance Guatemala's institutional framework

The new administration has taken proactive steps to enhance Guatemala's institutional framework, which was identified as a drag on the country's perceived creditworthiness and investor attractiveness

Ongoing structural reforms to strengthen transparency and rule of law in Guatemala

- ✓ Modification of the regulatory framework for public-private partnerships (PPPs)
- ✓ Promotion of amendments to law initiative 5820, which proposes to approve the Law for the Prevention and Suppression of Money Laundering or Other Assets and the Financing of Terrorism
- ✓ Initiation of the process to define the roadmap to develop and promote a new public procurement law
- ✓ Continuation with the publication of institutional criteria by SAT to facilitate compliance with tax obligations
- ✓ Implement the 2024-2027 action plan of the "National Financial Inclusion Strategy" (ENIF)
- ✓ Continuation of the plan for the transformation of the customs information system

Ongoing structural reforms to ease the development of business activities in Guatemala

- ✓ Implementation of the Trade Facilitation Agreement
- ✓ Extension of the mandate of the national trade facilitation committee (which expires in 2026) and incorporation of private sector members
- ✓ Implementation of a law (and regulation of the Decree 5-2021 law) for the simplification of administrative requirements & procedures

Targeted fiscal measures to foster a sustainable and inclusive growth path

The authorities have developed an ambitious fiscal plan for 2024-28, which aims at further fostering public investment and development, while maintaining fiscal sustainability in a renewed and transparent fiscal framework

Key objectives and guidelines of the fiscal policy for 2024-28

Revenues	Expenditure & Investment	Public Debt	Financial Mgt. & Transparency
<ul style="list-style-type: none"> ✓ Strengthening Tax Administration to guarantee compliance with tax obligations ✓ Not creating any new taxes or increase rates ✓ Incorporating international taxation measures ✓ Combating smuggling and customs fraud ✓ Identifying other innovative sources of financing 	<ul style="list-style-type: none"> ✓ Improving the quality and efficiency of public spending and investment ✓ Increasing public investment to foster development (education, health, sanitation) ✓ Contributing to the implementation of an active social and economic policy ✓ Promoting employment through direct public investment 	<ul style="list-style-type: none"> ✓ Ensuring public debt sustainability within a broader development framework ✓ Securing debt financing at favorable terms, while minimizing key financial risks 	<ul style="list-style-type: none"> ✓ Securing investment grade ✓ Strengthening the financial information systems and institutional transparency portals ✓ Strengthening the planning and budget units ✓ Facilitating public procurement processes under a general framework of transparency, certainty, efficiency and competition

A fiscal policy receiving both the assistance of the IMF and the blessing of international financial actors

Technical assistance

“

Institutional strengthening, with greater transparency, efficiency, and quality of spending, are some of the areas of focus and on which the IMF is assisting with technical assistance



Article IV Consultation – Press release (May-24)

Sources: IMF, Ministry of Public Finances

Approval of the fiscal trajectory

“

Approval of the expanded budget reflects a break in the legislative gridlock, potentially paving the way for the government's reform priorities in the areas of competition, public-private partnerships, public investment and anti-corruption

MOODY'S

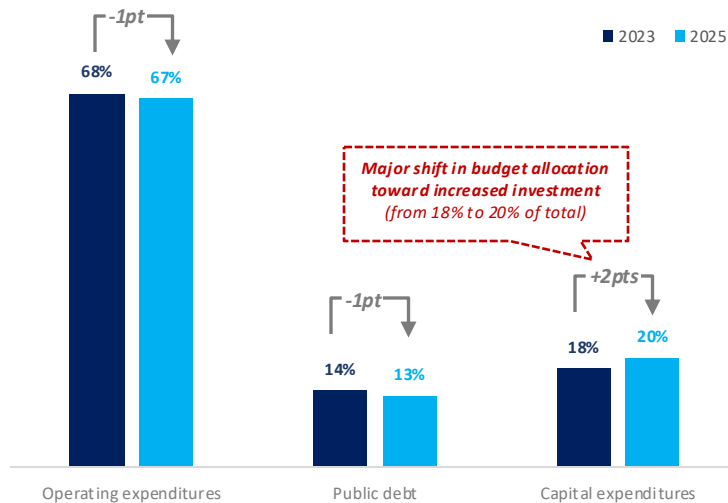
Issuer Comment (Aug-24)

Focus on the fiscal plan: A growth-supportive investment plan...

The fiscal plan designed by the authorities will increase the share of investment in the total budget. This, in turn, will impact the economy through positive fiscal multipliers and, in turn, generate positive growth impacts

A sizeable increase in public investment ...

Budget allocation by type of expenditure (% of total)



... that will generate positive spillovers on the economy



Fiscal stimulus from increased public investment spending will boost the economy and increase employment, household income and economic growth



More inclusive public spending will reduce poverty and inequality gaps and increase social welfare



Transparency and the fight against corruption will provide greater credibility to public policies and governance, which will generate more certainty about the country's future and a better investment climate



The more modern use of fiscal policy, in a medium and long-term vision, will allow financing strategic investments while ensuring a strong and resilient economy



Increased public and private investment will boost the economy and tax revenues, which can be significantly improved to further expand economic and social investment

“

The execution of this budget will increase the production of goods and services aimed at promoting, protecting, and ensuring rights to education, health, social protection, housing, and security. It will also promote public investment, contributing to greater dynamism in economic activity and employment

Ministry of Public Finances – Press release (Sept-24)

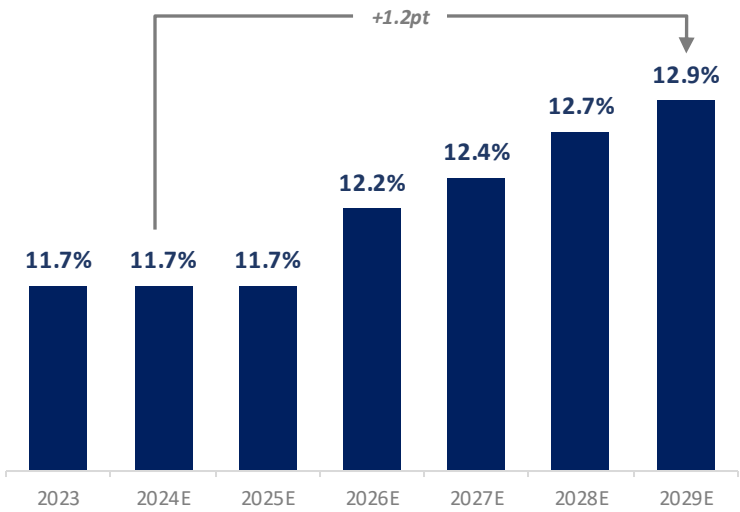
The plan is expected to enhance real GDP growth potential by **0.2pp (2024) to 0.4pp (2025-2028)**

Focus on the fiscal plan: ... supported by revenue mobilization measures ...

In the meantime, the increase in capital expenditure will be compensated by revenue enhancement measures. These are aimed in particular at addressing the current inefficiencies in revenue collection, rather than creating new taxes

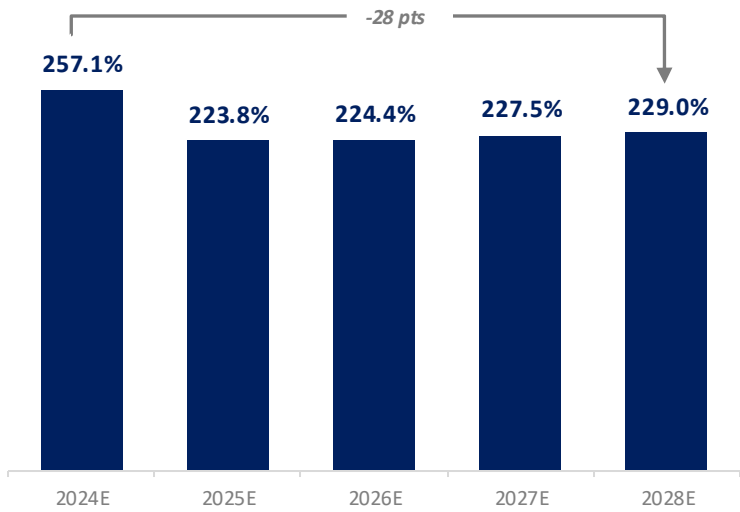
A planned increase in fiscal revenues ...

Fiscal revenues (% of GDP) – Projections by the authorities



... will improve the country's debt affordability metrics

General government debt (% of revenues) – Projections by the authorities



Government measures to enhance the country's revenue generation capacity



Tax Administration enhancement
in order to be able to collect tax revenues more smoothly



Crack down on informality
which should reduce the share of revenues that do not fall in the Govt. budget



Fiscal expansion plan
which is expected to increase revenues thanks to positive multiplier effects

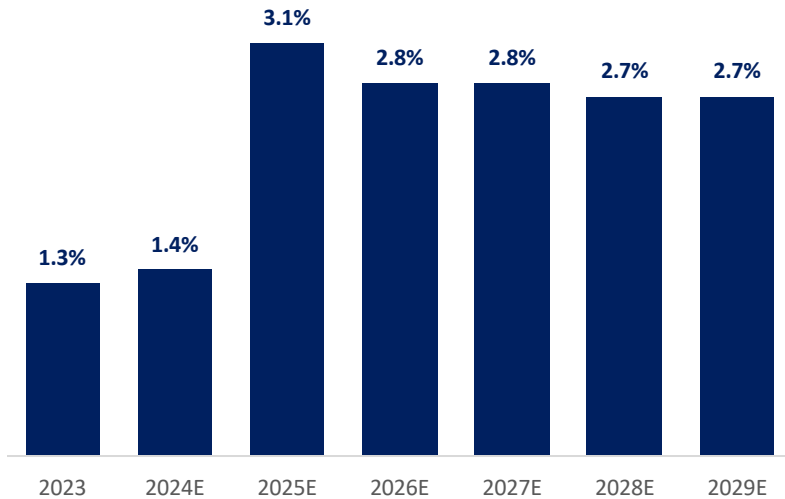
The creation of other taxes – or increase in tax rates – is not planned at this stage

Focus on the fiscal plan: ... in a sustainable manner

The planned fiscal expansion is praised by the main international market actors, who consider that the increase in deficit and indebtedness is likely to be very limited, and offset by the positive spillovers on growth and development

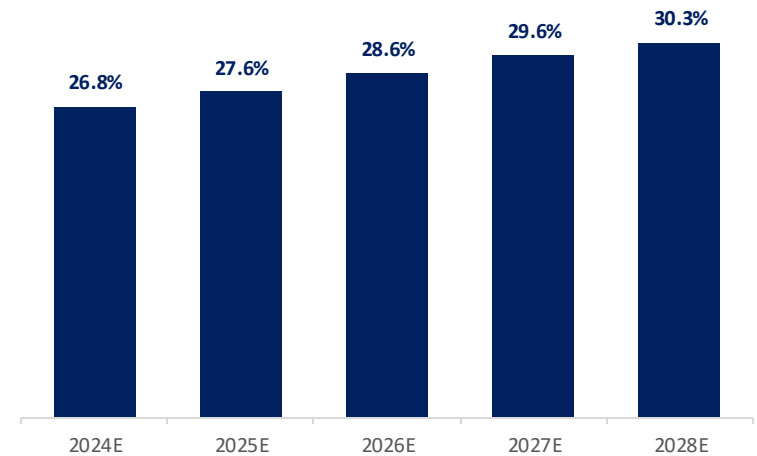
The increase in deficits will be contained and quickly narrowed ...

Overall fiscal deficit (% of GDP) – Projections by the authorities



... limiting the impact of the fiscal expansion on indebtedness

General government debt (% of GDP) – Projections by the authorities



“

We do not expect Guatemala's fiscal metrics to lead to a deterioration of the credit profile

MOODY'S

Issuer Comment (Aug-24)

“

Guatemala's debt-to-GDP ratio is low and projected to be sustainable if the administration's expansionary fiscal reform agenda were to be approved in Congress



Article IV Consultation (Aug-24)

Agenda

1 Guatemala' strong economic fundamentals, successfully tested over the years

2 An ambitious economic reform plan, to sustainably enhance growth potential

3 Guatemala stands a sound investment destination

4 Q&A

Guatemala stands out as a sound investment destination

International investors benefit from Guatemala's robust macroeconomic fundamentals and the strong momentum, instilled by the new administration and its ambitious growth enhancing agenda. The latter has been strongly supported by leading international financial institutions, and aims at unlocking Guatemala's remaining structural constraints

OVERVIEW OF GUATEMALA'S MAIN CREDIT STRENGTHS



STRONG & STABLE
GROWTH PERFORMANCE



STRONG
EXTERNAL PERFORMANCE



UNIQUE TRACK-RECORD OF
FISCAL DISCIPLINE



AGENDA TOWARDS A
SUSTAINABLE GROWTH

- **Guatemala boasts both strong fundamentals** – in terms of macro, fiscal and external position – **and an immense potential to further unlock development opportunities**
- **The new administration has been consistently committed to consolidating the country's strengths and addressing the remaining economic structural constraints.** As such, the fiscal and structural reforms have been praised by most of the international financial observers
- **The combination of very strong economic fundamentals and ambitious growth-enhancing reforms are positioning Guatemala as a prime investment destination in the region**

Guatemala is increasingly attractive to large corporates

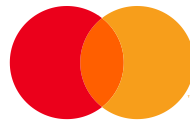
Building on its strong macroeconomic fundamentals, and benefiting from potential nearshoring opportunities, Guatemala has been increasingly attractive to large and international corporates. This also evidences the improved business environment and investor sentiment vis-à-vis the country's creditworthiness and institutional framework

LARGE INTERNATIONAL CORPORATE INVESTMENTS IN GUATEMALA SINCE 2021

Selected Investors



Cargill, USA



mastercard.
Mastercard, USA



PEPSICO

PepsiCo, USA



PriceSmart, USA



FEMSA, Mexico



MILlicOM
THE DIGITAL LIFESTYLE

Millicom, Luxembourg¹

NEXTIL
GROUP

Nextil, Spain



Yash Pakka, India



Yazaki, Japan

- **Since 2021, major international corporations have chosen Guatemala as a strategic hub**, particularly in the manufacturing sectors (food and beverages, textiles, packaging, and auto parts), as well as in the service industries (telecommunications and financial services)
- **These companies are capitalizing on Guatemala's favorable geographic location, connectivity, human capital, and growing economy**



**Scan
here**





Ministerio de
Finanzas Públicas

Agenda

1 Guatemala' strong economic fundamentals, successfully tested over the years

2 An ambitious economic reform plan, to sustainably enhance growth potential

3 Guatemala stands a sound investment destination

4 Q&A

Appendix



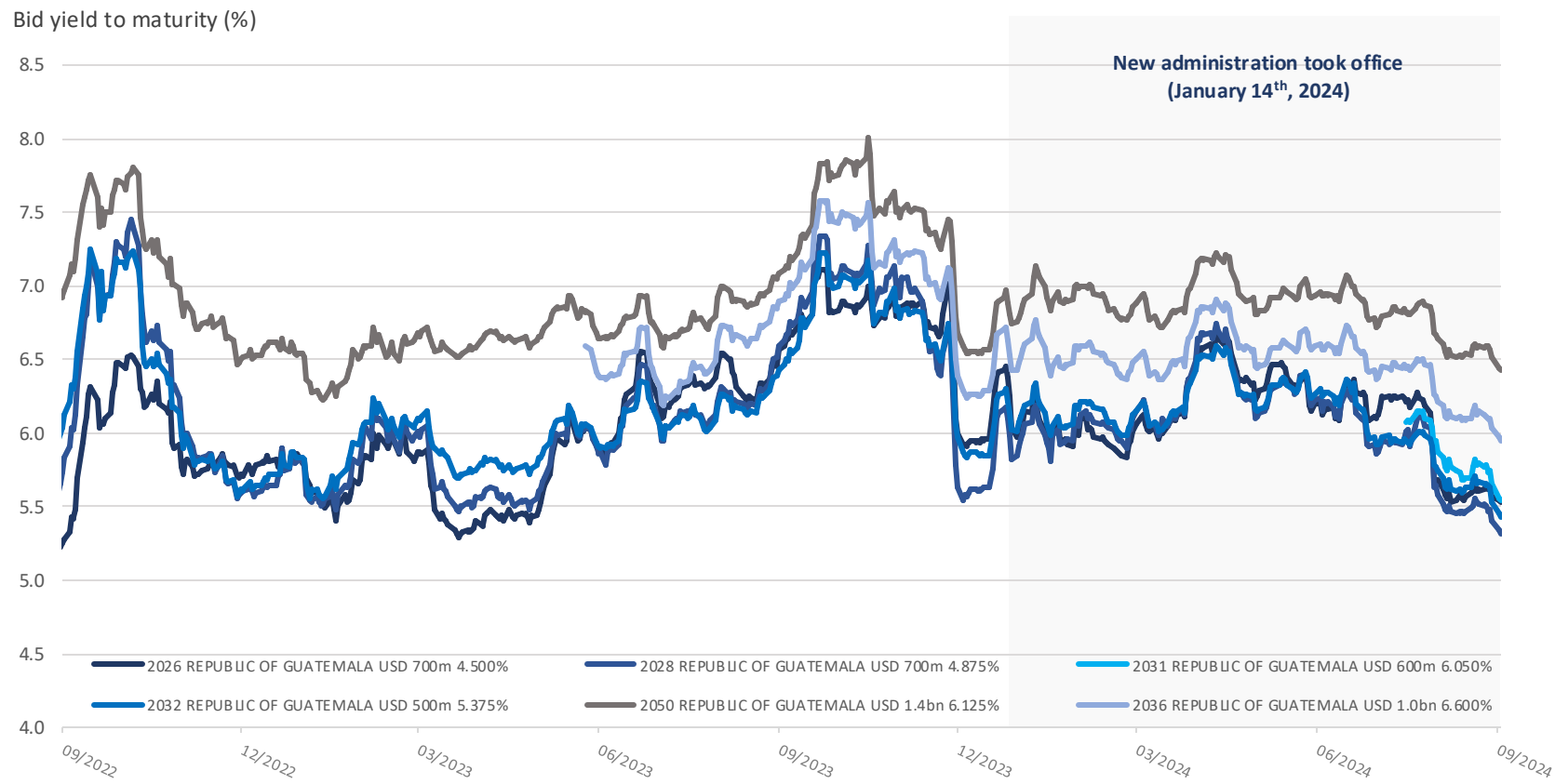
Ministerio de
Finanzas Públicas



Overview of Guatemala's international bond trading and credit rating performance

Overview of Guatemala's international sovereign bonds performance

Overview of Guatemala' selected international bonds bid yield to maturity

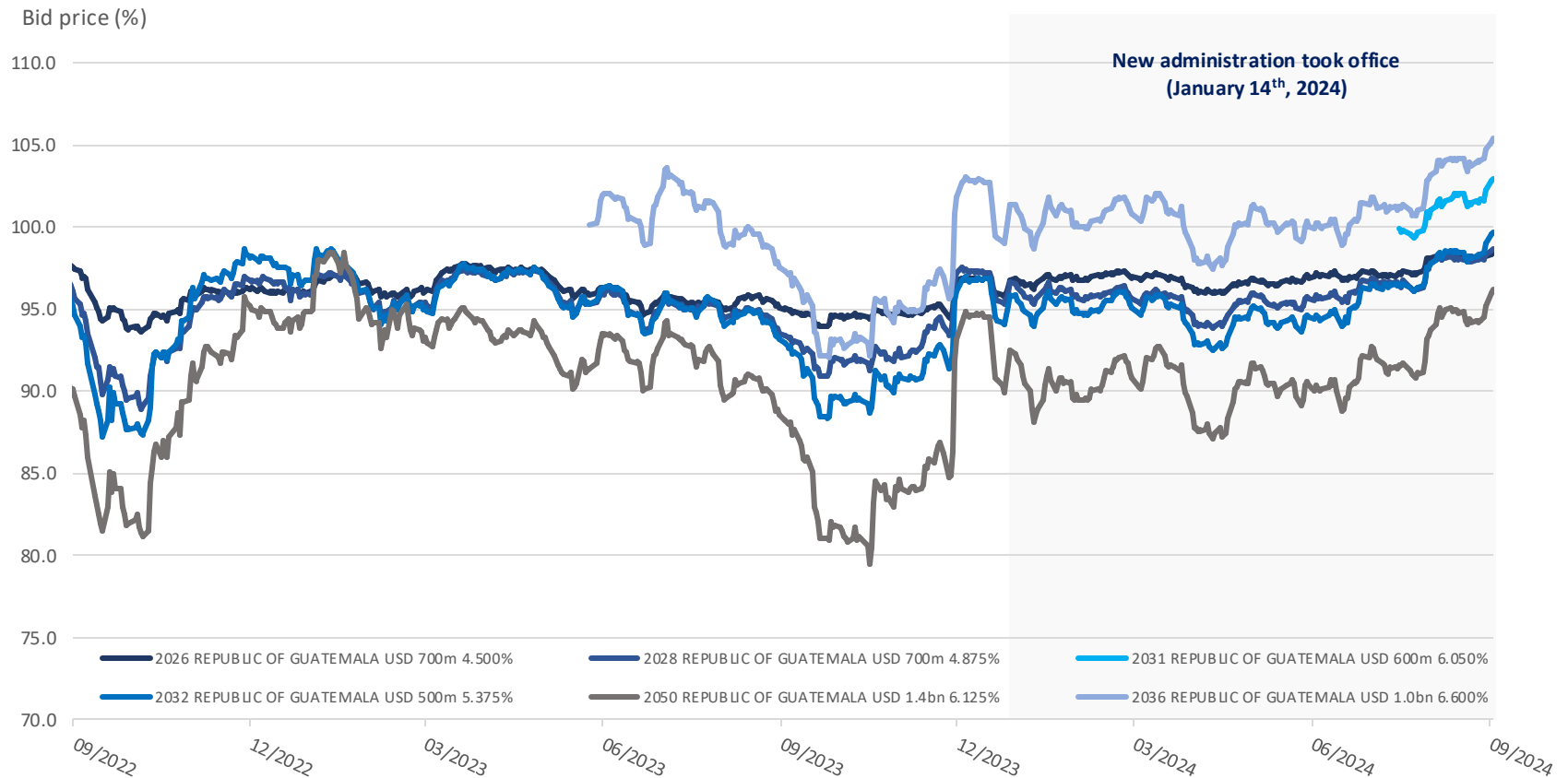


- **Guatemala's sovereign bonds have shown strong resilience**, despite volatile conditions in the broader EM asset class
- **The recent decline in yields reflects the country's promising continued growth prospects and prudent fiscal management**, signaling rising investor confidence and market demand

Source: Bloomberg as of 17/09/2024

Overview of Guatemala's international sovereign bonds performance (cont'd)

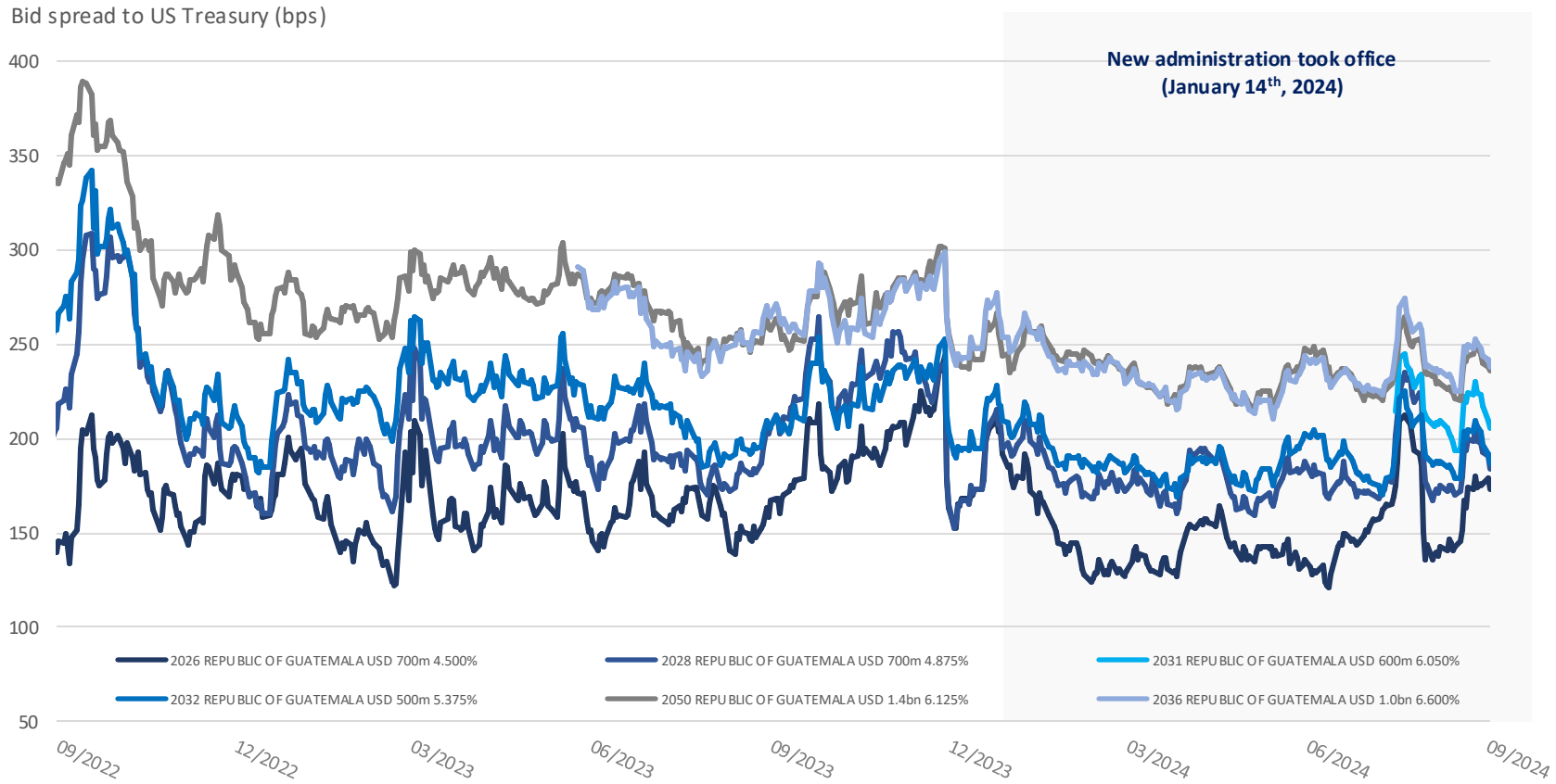
Overview of Guatemala' selected international bonds bid price



- **Guatemala's sovereign bonds have shown strong resilience**, experiencing only brief and minimal price fluctuations
- **The increase price reflects the country's promising continued growth prospects and prudent fiscal management**, as recognized by market demand

Overview of Guatemala's international sovereign bonds performance (cont'd)

Overview of Guatemala' selected international bonds bid spread to UST



- Guatemala's international bond spreads to UST have been on a clear downward trend over the past years
- This underscores the growing confidence in the country's fiscal management and economic stability, despite adverse market conditions

Source: Bloomberg as of 17/09/2024;

Note: (1) US Treasury (AA+/Aaa/AA+) bonds selected are: 2026 USD 0.5bn 1.63%, 2028 USD 0.3bn 1.250%, 2031 USD 0.6bn 5.38%, 2032 USD 1bn 1.88%, 2036 USD 1bn 4.5%, 2050 USD 2bn 2%

Overview of Guatemala's latest dual tranche issuance – (USD 0.6bn & USD 0.8bn)

Guatemala's recent international sovereign bond issuance – in July 2024 – showcases strong market appetite, as illustrated by the oversubscription and the subsequent tightening

KEY FEATURES OF THE TRANSACTION

>>> TERMS OF THE TRANSACTION		
Issuer	Republic of Guatemala	
Type	General Budget	Sustainable Financing Framework
Amount Issued (in USDm)	600	800
Maturity	2031	2036
Coupon (in %)	6.05%	6.55%
Initial Price Target (in %)	6.100% to 6.375%	6.660% to 6.875%
Bid YTM at Issuance (in %)	6.052%	6.520%
Credit Rating (S&P/Moody's/Fitch)	BB/Ba1 ¹ /BB	BB/Ba1 ¹ /BB

>>> FINANCIAL ACTORS INVOLVED	
JLM / Bookrunner	

>>> SUBSCRIPTION	
Book Size	 USD 5.5bn <i>Illustrating the strong appetite for Guatemala's credit</i>

“

... solid demand for both tranches with an **oversubscription of approximately three to four times the issue size** [...] Investors like the low indebtedness of the country, with debt/GDP at 30%, which is on the lower end for similarly rated credits

LATINFINANCE 29 Jul. 2024

“

The deal was seen by investors as a **"defensive play,"** according to a sovereign analyst, **given the country's solid fundamentals and good track record of macro policies**

 Debtwire 29 Jul. 2024

“

The ratings on the notes are at **the same level** as the long-term foreign currency **sovereign credit rating** ... our expectation of an **upgrade in the next six to 12 months** if cautious macroeconomic policies prevail, despite somewhat higher fiscal deficits stemming from the planned **rise in infrastructure spending**

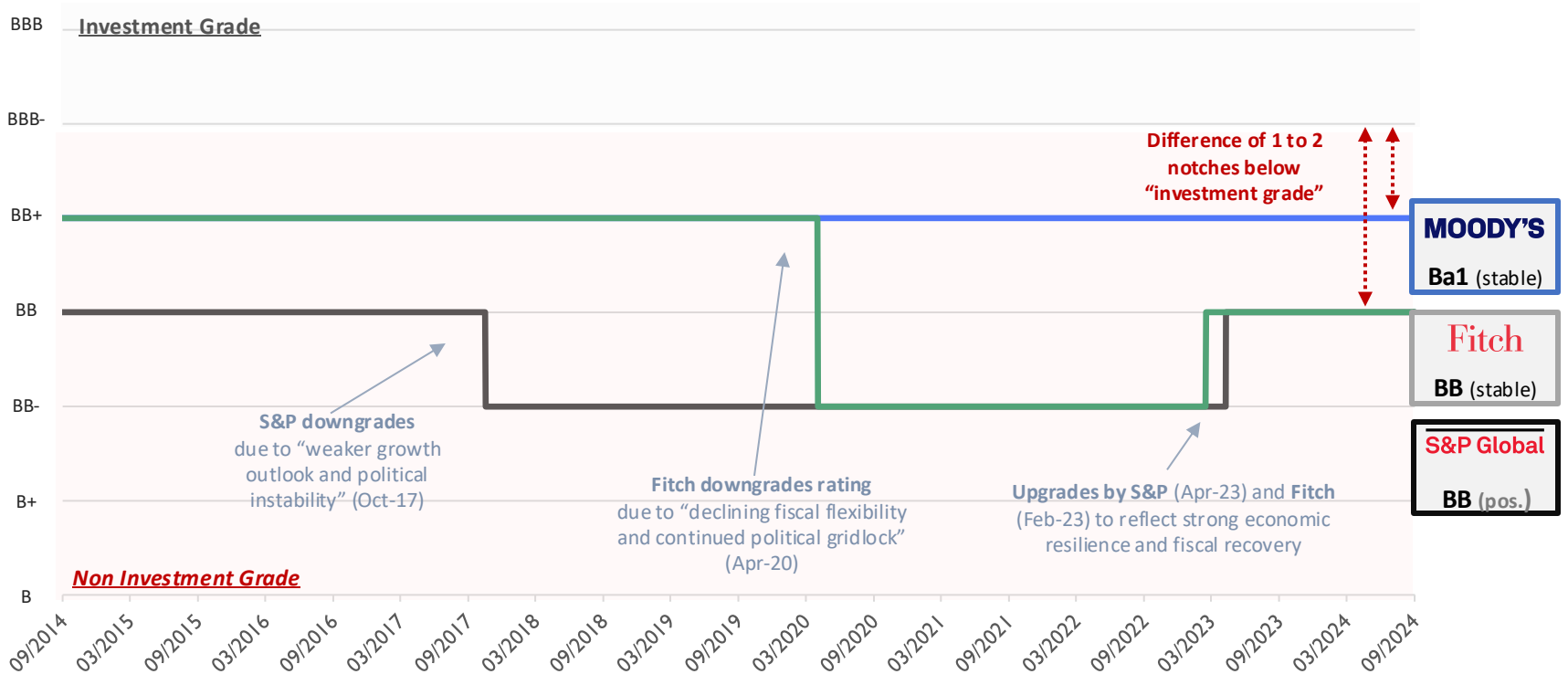
 S&P Global Rating Action News 30 Jul. 2024



Overview of Guatemala's credit rating performance

Guatemala's credit rating stood for its stability over the past decade despite exogenous shocks. The country is now set to embark on a journey toward the investment grade category, which only stands 1 to 2 notches away

10-year evolution of Guatemala's credit rating (in rating scale equivalent)



- Guatemala stands one to two notches below "IG", despite demonstrating strong fiscal management and a well-regarded external position
- Besides, the new administration has identified the acquisition of this status as a key priority for the country's funding strategy

Sources: Fitch, Moody's, S&P as of 17/09/2024

For more information contact:

David Quan
mquan@minfin.gob.gt