

Guatemala

The GDP of Guatemala grew by an estimated 4.0% in real terms in 2014, up from 3.7% in 2013. The central bank forecasts average annual inflation of 3.5% (compared with 4.3% in 2013), within the target range of 3% to 5%. The fiscal deficit is expected to stand at 2.0% of GDP (slightly down on the 2013 level), with the balance-of-payments current account deficit narrowing from 2.7% of GDP in 2013 to 2.5% in 2014. ECLAC forecasts that the economy will grow by 4.0% in 2015, given expectations of continued growth in exports and domestic demand, the latter primarily attributable to private consumption.

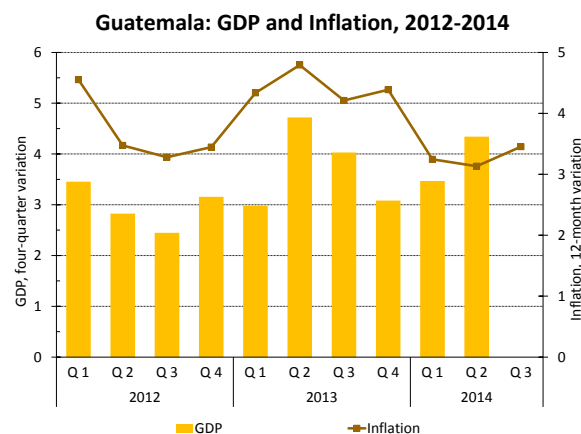
Total central government income grew by 6.2% in real terms to September 2014, while total expenditure swelled by 6.8%, again in real terms over the same period, driven by a surge in capital expenditure (17.5%) and rising current spending (4.3%). As a result of difficulties in the customs service and in tax collection over the year, the Ministry of Finance has forecast a tax burden of around 10.7% of GDP by the end of 2014, compared with 11.0% in 2013.

External public debt as of September totalled US\$ 6.985 billion, an increase of 5.8% on the September 2013 figure. Domestic public debt was up by 8.7% on the same period of 2013. The central bank forecasts that total debt will have reached 25.4% of GDP by the end of 2014, up from 24.8% in 2013.

In late November 2014, Congress approved the general State budget for the 2015 fiscal year, which amounted to 70.6 billion quetzales. The agreement reached in Congress provides for reforms to the royalty percentages in the Mining Act, a higher rate of tax on fixed and mobile telephone lines, amendments to the Criminal Code and changes to the Specific Cement Distribution Tax Act, with a view to increasing ordinary tax revenue to fund spending in 2015. Budgetary appropriations for communications, foreign affairs, agriculture, culture, social development and presidential secretariats were cut. The issuance, negotiation and placement of 2.8 billion quetzales in treasury bonds were authorized for fiscal year 2014 to cover obligations and transfers to public bodies. The main annual interest rate was held steady at 5.0% until March 2014, when the Monetary Policy Committee cut it to 4.75%. Given that inflationary pressures and international oil, maize and wheat prices were trending downward and the pace of global recovery remained moderate, the Monetary Policy Committee again reduced the base rate, to 4.5% at its June session and then to 4.0% at its November session.

Bank interest rates remained stable over 2014. In nominal terms, the deposit rate stood at 5.49% in October (versus 5.47% in October 2013) and the lending rate at 13.73% (compared with 13.66% in the same month of 2013). Bank lending to the private sector was up 8.0% year-on-year in nominal terms (4.2% in real terms) in October—compared to 15.7% in October 2013 (or 11.1% in real terms)—owing primarily to consumer credit growth.

The bilateral nominal exchange rate was 7.58 quetzales to the dollar at the end of October 2014 (versus 7.90 quetzales in October 2013), a nominal appreciation of 4.0% over the same period in 2013. Net international reserves stood at US\$ 7.098 billion at the end of October 2014 (up 6.6% year-on-year on 2013), sufficient to cover 4.6 months of imports.



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

Exports expanded 7.0% by value to September (as against growth of just 0.2% in the same period in 2013) owing to strong volume growth (19.5%), since average prices fell by 10.4% as a result of movements in those of core items such as sugar, precious and semi-precious stones and metals. Exports of traditional products fell by 3.0% over the period to September, while those of non-traditional products grew by 11.2%. Imports grew 3.8% by value to September (compared to 4.0% in 2013), mainly as a result of a rise in volume (8.4%). The average price of imports also fell, by 4.4%, to the same month. The goods and services trade balance for the entire year is therefore expected to be in deficit by the equivalent of 11.2% of GDP (compared with 11.5% in 2013), with a balance-of-payments current account deficit equivalent to 2.5% of GDP, down from 2.7% in 2013.

Family remittances rose 8.6% in the period between January and October 2014 over the same period of 2013 to reach US\$ 4.65 billion, maintaining steady, moderate growth as the United States labour market picked up. Foreign direct investment (FDI) amounted to US\$ 713.4 million in the first half of 2014, mainly originating from Canada (especially investment in agriculture, mining and quarrying), the United States and the United Kingdom (chiefly in commerce) and Colombia (mainly in the financial sector). FDI is expected to have grown 8.0% by the end of 2014 (up from 5.2% growth in 2013).

ECLAC estimates real GDP growth of 4.0%, driven by buoyant activity in mining and quarrying (up 27.1%), finance, insurance and business services (9.9%), construction (4.8%), private services (3.6%), commerce (3.2%), agriculture (3.1%) and manufacturing (3.1%). On the demand side, the highest rates of growth are expected in exports, private consumption and public and private investment. GDP expanded by 3.5% in the first quarter of 2014 (compared with 3.0% in the same period in 2013) then by 4.3% in the second quarter (down from 4.7% in the same period of 2013). In September, the trend-cycle series of the monthly index of economic activity (IMAE) was up 4.7% year on year. Growth in the consumer price index to October was 3.64%, compared with 4.15% in October 2013, driven by food price inflation of 8.9%. Average annual inflation by the end of the year was estimated at 3.5%.

In January 2014, the minimum wage was increased by 5% in nominal terms (or by 1.3% in real terms) to 74.97 quetzales per day in the agricultural and non-agricultural sectors and 68.91 quetzales in the maquila sector. Growth in the country's economy pushed the open unemployment rate down slightly to around 2.9% in April and May 2014 (versus 3.2% in the same period of 2013), while the urban unemployment rate increased slightly.

Guatemala: main economic indicators, 2012-2014

	2012	2013	2014 ^a
	Annual growth rate		
Gross domestic product	3.0	3.7	4.0
Per capita gross domestic product	0.5	1.2	1.6
Consumer prices	3.4	4.4	3.6 ^b
Real average wage ^c	4.0	-0.1	...
Money (M1)	5.8	7.0	4.7 ^d
Real effective exchange rate ^e	-2.0	-2.5	-2.9 ^b
Terms of trade	-5.5	-2.0	1.4
	Annual average percentage		
Open urban unemployment rate	4.0	3.8	4.2
Central government			
Overall balance / GDP	-2.4	-2.1	-2.3
Nominal deposit rate	5.3	5.5	5.5 ^f
Nominal lending rate ^g	13.5	13.6	13.8 ^f
	Millions of dollars		
Exports of goods and services	12,594	12,751	13,835
Imports of goods and services	18,251	18,975	20,097
Current account balance	-1,310	-1,465	-976
Capital and financial balance ^h	1,808	2,168	1,109
Overall balance	499	702	132

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

a/ Estimates.

b/ Figures as of October.

c/ Average wage declared by workers covered by social security.

d/ Figures as of September.

e/ A negative rate indicates an appreciation of the currency in real terms.

f/ Figures as of November.

g/ Weighted average of some lending rates.

h/ Includes errors and omissions.