

Guatemala

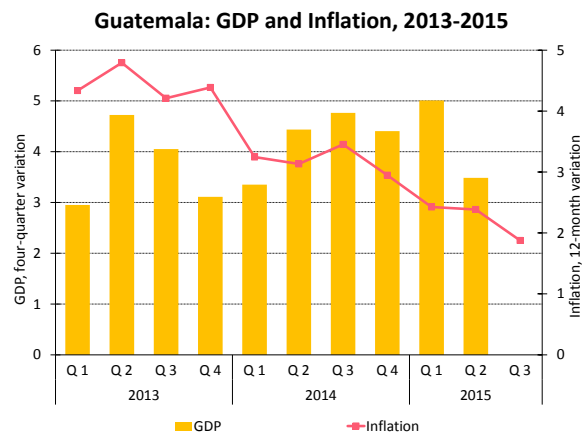
According to ECLAC estimates, Guatemala's GDP grew by 3.9% in real terms in 2015, down from 4.2% in 2014. This slowdown was due mainly to the decline in the expansion of exports and public spending. The macroeconomic variables remained stable despite the election and the political crisis instigated by the corruption cases uncovered by the Public Prosecutor's Office and the United Nations International Commission against Impunity in Guatemala (CICIG), which culminated in the resignation of the President and Vice President of the Republic. The central bank forecasts average annual inflation of 2.4%, below the lower limit of the target range (between 3% and 5%). The fiscal deficit is expected to stand at 1.6% of GDP and the balance-of-payments current account deficit at 1.0% of GDP. Unemployment will end the year at around 3.0%.

Jimmy Morales of the National Convergence Front was elected President of Guatemala at the end of October 2015 and will begin his four-year term in January 2016. The priorities for his administration include education, health and economic development, particularly in the construction and investment sectors, as well as controlling corruption and raising tax revenue.

Guatemala's fiscal policy was prudent in 2015, against a backdrop of lower tax revenue. Total central government revenue fell by 1.0% in real terms in the first nine months of the year, owing to institutional weaknesses in tax collection. Total expenditure dropped by 0.2% as a result of a significant reduction in capital expenditure (-15.3%), which was not offset by the rise in current expenditure (3.8%). The Ministry of Finance forecasts a tax burden of around 10.3% of GDP for the end of 2015. External public debt rose by 6.0% year-on-year in the first nine months of the year and reached a level equivalent to 11.6% of GDP. Domestic public debt was up by 10.3% year-on-year in the same period, equivalent to 12.6% of GDP. Total debt is expected to reach 25.0% of GDP at the end of 2015, representing 225.0% of annual tax revenue, 17% of which goes towards interest payments on the debt itself.

Guatemala maintained its accommodative monetary policy stance in 2015. The annual benchmark interest rate was lowered on three occasions—in February, June and September—by a cumulative total of 100 basis points to 3.0%. However, this had little effect on the bank deposit rate, which held at around 5.5% in nominal terms throughout the year. The lending rate decreased slightly, from 13.6% in January 2015 to 13.1% in October 2015. Bank lending to the private sector was up by 13.2% year-on-year in nominal terms, thanks in large part to growth in consumer credit.

The nominal exchange rate against the dollar averaged 7.64 quetzales at the end of October 2015, depreciating by 0.8% in nominal terms, while the real effective extraregional exchange rate appreciated by 5.6% compared with the end of 2014. Net international reserves increased by 3.1% from the end of 2014 to stand at US\$ 7.564 billion in October 2015, enough to cover 5.2 months of imports. Despite the recent episode of political instability, at the end of October the credit rating agency Standard & Poor's maintained the country's credit rating at BB for foreign currency and BB+ for national currency, with a stable outlook owing to the solid performance of macroeconomic indicators and fiscal and monetary discipline.



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

In the first nine months of the year, the value of exports rose by 1.7% (compared with 6.9% in the same period in 2014), thanks to an expansion in volume (13.5%) that offset the 10.7% drop in average prices. Export volumes are rising because of increased demand from Guatemala's main trade partners—the United States and the Central American countries—which is in turn driven by their own robust economic growth. Banana, sugar and cardamom were the strongest traditional exports, while non-traditional exports were led by clothing, fruit and processed fruit, iron and steel, and chemical products. The value of goods imports dropped by 2.9% (after rising by 3.8% in 2014), owing to the fall in international prices (14.1% overall), especially of fuels. The goods and services trade balance is expected to post a deficit equivalent to 9.0% of GDP (compared with 10.5% in 2014), thanks to an anticipated rise in exports and fall in imports.

Family remittances expanded by 11.4% year-on-year in the first 10 months of 2015, owing mainly to the upturn in the United States labour market. Foreign direct investment (FDI) inflows fell from US\$ 745.0 million in 2014 to US\$ 548.8 million in the first half of 2015, but are forecast to grow by 1.5% in the year as a whole, according to the central bank.

Economic growth in 2015 will be driven by the financial services sector (with expected annual growth of 10.6%), mines and quarries (5.8%), agriculture (4.0%), commerce (3.9%) and manufacturing (3.5%). On the demand side, the highest growth rates will be seen in exports and private consumption, the latter being boosted by increased remittance inflows and an expansion of consumer credit. In the first two quarters of 2015, GDP grew by 5.0% and 3.5%, respectively. The average for the third quarter, measured by the trend-cycle series of the monthly index of economic activity (IMAE), was a year-on-year rise of 4.1%.

Year-on-year variation in the consumer price index (CPI) was 2.23% in October 2015, compared with 3.64% in the same month in 2014. Year-on-year core inflation stood at 1.85%. Domestic prices for food and non-alcoholic beverages had the greatest impact on inflation, rising by 9.2% year-on-year.

According to its own figures, the Guatemalan Social Security Institute had 1,270,494 affiliated members in May 2015, representing a year-on-year increase of 2.8%, owing mainly to the creation of new formal jobs in the commerce and services sectors. As of January 2015, under Agreement No. 470-2014, the minimum wage was raised by 5% in nominal terms (2.6% in real terms) for workers in the agricultural and non-agricultural sectors, as well as the maquila sector.

ECLAC projects economic growth of 4.0% for 2016, as a result of the anticipated expansion of exports and the continued rise of domestic demand, reflected mainly in private consumption. According to estimates from the general State budget for the 2016, the fiscal deficit will widen to 1.9% of GDP and the current account deficit will be equivalent to 1.1% of GDP. Inflation is expected to be below target (4.0%, with a 1-percentage-point margin on either side) and unemployment will stand at around 3.0%.

**Guatemala: main economic indicators,
2013-2015**

	2013	2014	2015 ^a
	Annual growth rate		
Gross domestic product	3.7	4.2	3.9
Per capita gross domestic product	1.6	2.1	1.9
Consumer prices	4.4	2.9	2.2 ^b
Real average wage ^c	-0.1	2.5	...
Money (M1)	7.0	5.2	12.2 ^b
Real effective exchange rate ^e	-1.8	-3.6	-5.6 ^b
Terms of trade	-2.0	0.6	4.4
	Annual average percentage		
Open urban unemployment rate	3.8	4.0	...
Central government			
Overall balance / GDP	-2.1	-1.9	-2.1
Nominal deposit rate ^e	5.5	5.5	5.5 ^f
Nominal lending rate ^g	13.6	13.8	13.2 ^f
	Millions of dollars		
Exports of goods and services	12,753	13,744	13,999
Imports of goods and services	19,010	19,938	19,807
Current account balance	-1,351	-1,387	-354
Capital and financial balance ^h	2,053	1,459	585
Overall balance	702	73	231

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 A negative rate indicates an appreciation of the currency in real terms. Refers to the extraregional real effective exchange rate.

e Weighted average of deposit rates.

f Figures as of November.

g Weighted average of lending rates.

h Includes errors and omissions.