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1979

GUATEMALA

This preliminary version of the Economic Survey of Latin America, 1979 is being distributed in 27 separate parts: an Introduction of a general nature, bearing the symbol E/CEPAL/R.227, and 26 Addenda to this document, each containing a study of the economic development of a country of the region. These Addenda will not appear in alphabetical order, but in order of completion. The complete Survey will be published in the usual printed version when the comments arising out of this preliminary version have been collected.

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GUATEMALA

1. Recent economic trends: Introduction and summary

The Guatemalan economy followed conflicting trends in 1979. The gross domestic product increased at a rate of approximately 5%, the lowest since 1975, but not all that unfavourable if some of the adverse factors mentioned later are taken into account. Due to the deterioration in the terms of trade for the second year running, the real growth rate of gross domestic income was only 3.7% (see table 1).

The main sources of dynamism in 1979 were the export sector, whose behaviour has always affected the country's rate of economic activity, and the expenditures of the public sector, especially its investments in the quasi-autonomous area of the economy. On the other hand, private investment suffered a notable decline, reflecting both the uncertainty caused by the political unrest which affected virtually the entire Central American region and the increasing lack of liquidity in the intermediation system. This in turn caused a rather serious recession in the construction industry towards the end of the year, the effects of which were only partially mitigated by an increase in public investment.

The continuing growth of exports, both in quantum and in value, is worthy of note. In spite of the disappointing situation in Guatemala's principal export markets (falling growth rates, higher rates of inflation and a protectionist atmosphere in the industrialized countries and increasing difficulties in maintaining Central American integration commitments), almost all the traditional export items grew and the trend toward diversification initiated some years ago was maintained. Moreover, the increase in the prices of cotton, sugar and meat more than compensated for the decline in the unit price of coffee.

It was possible to expand external sales because of a satisfactory increase in the supply of most agricultural and industrial products and in mineral production (due to the heavy investments made in previous years in nickel mining and processing) and the inauguration of crude petroleum extraction.

/Another contributor

Another contributor to demand was public expenditure. However, investment was largely concentrated on projects which made fairly intensive use of imported inputs, especially in hydroelectrical projects, so that their benefits to employment were perhaps not as great as might have been hoped for, and moreover the spatial distribution of expenditure was very uneven.

Private investment was also more concentrated than in previous years, since an increased amount was applied to the exploration and production of hydrocarbons as a result of the completion of a pipeline linking the production areas and the Atlantic coast.

The Central Government's finances reflected the relative decline in the economic growth rate in the smaller current income. Moreover, since expenditures retained a degree of dynamism, a large fiscal deficit was generated.

Due to the high level of economic interdependence among all the Central American countries, the changes of government which took place in the neighbouring Republics of Nicaragua and El Salvador also had a decisive influence on the economy. These events were reflected not only in the volume of trade between Guatemala and those countries, but also in financial flows, and especially in an apprehensive attitude toward the way that the changes in those countries could affect the situation in Guatemala, which has itself been characterized by political and social tensions for several years. At first there was a net capital inflow, and even some physical movement of enterprises from Nicaragua and El Salvador, but during the second half of the year there were signs of an incipient flight of capital, to which the growing gap between the interest rates on deposits in force in Guatemala and those prevailing in the main international capital markets also contributed.

These phenomena had a profound impact on the monetary and financial situation. The level of liquidity in the intermediation system decreased steadily due to strong credit pressure and a reduction in the rate at which deposits were being attracted. The policy that the Government adopted during the year to combat this trend involved giving banks increased access to Central Bank credit.

/In 1979,

In 1979, the economy also faced higher inflationary pressures than in the two preceding years. The final consumer price index showed an average increase of approximately 11.5% for which the rise in the prices of imported inputs, especially hydrocarbons and their derivatives, was largely responsible. On the other hand, the food price index varied less.

Although the information available on the level of unemployment and wage policy is incomplete, it may be noted that on the whole real wages decreased slightly. Nevertheless, the fact that private consumption developed at a relatively high rate implies that the employment and remuneration of the work factor remained at levels close to those of 1978.

There are relatively few economic policy measures adopted during 1979 that merit special attention. In general terms, the State tried to maintain an acceptable level of economic activity through public spending and, with some exceptions, permitted the market mechanism to operate in order to stimulate private activity. The main exceptions to this rule were the refusal of the Monetary Board to adjust interest rates, on both deposits and loans, to the trends in international financial markets and the maintenance of some ceiling prices for certain consumer goods and intermediate products. In the field of social policy, new labour legislation was formulated, but it was not ratified by Congress during the period covered by this report and in fact gave rise to a prolonged debate.

2. Trends in economic activity

(a) Global supply and demand trends

In 1979, the gross domestic product is estimated to have increased by 5%. Thus, the growth rate declined for the second consecutive year after the exceptional rates achieved in 1976-1977, which were partially due to the boost given by reconstruction after the devastating earthquake that rocked the country in February 1976. In other words, the lower growth rate may be partially attributed to the natural running down of reconstruction activities, combined with the relative weakening of external demand (especially from the rest of Central America) for the country's main export products and the uncertain atmosphere caused by a period of great political instability in Central America, which restricted private investment.

/Nevertheless, it

Nevertheless, it is significant that in spite of a generally unsatisfactory international and Central American situation, the export sector continued to expand and diversify, following a trend observed for several years past, and thus became the main source of economic growth (see table 2). The gross domestic product might have increased even more if the global investment rate of previous years had been maintained. For the reasons mentioned above, however, the growth of private investment was greatly retarded and might even have declined with respect to the previous year if heavy capital investments had not been made in petroleum activities. The expansion of economic activity was, therefore, limited.

Public expenditure, and especially public investment, was the second most important source of economic dynamism in 1979. Nevertheless, because of its relatively low share in total capital formation (less than one-fourth), the increase in public investment could not compensate for the flagging rate of private investment, and in any case even this increase only brought the level to that achieved in 1977.

Similarly, although the real growth of consumption expenditure in the public sector permitted a slight increase in the provision of basic services such as education and health, the share of this expenditure in global demand was very small (6%), and consequently the public sector had very little ability to combat the effects of the sluggish growth rate of private investment.

Private consumption increased at a rate which was reasonably satisfactory, and perhaps better than could have been expected in view of the development of global demand. This may be explained by the fact that levels of employment increased moderately with respect to previous years, and wage adjustments helped to prevent a larger decline in real wages. At all events, according to official figures per capita consumption increased by almost 5%.

(b) Growth of the main sectors

From the point of view of domestic supply, the productive apparatus responded reasonably well to the increased demand (see table 3).

/(i) Agriculture.

(i) Agriculture. For the second year running, the rainfall was adequate, at least up to the last two months of the year, when excessive precipitation caused fairly heavy damage to the crops destined for domestic consumption and the cotton harvest. Nevertheless, partly because of the favourable climatic conditions up to October, farming (and especially most export crops) developed in a relatively dynamic manner. Thus, coffee production expanded by nearly 5%, cotton production by more than 9% and banana production by 1.5%, although sugar production decreased by 3% (see table 4).

Livestock production increased moderately, possibly at the cost of a decrease in the size of both the beef and dairy herds. This trend, which started years ago, is partially due to the transfer of land traditionally used for cattle farming to other agricultural uses, and partially to the fact that milk production has lost momentum because, according to producers, the ceiling prices do not allow adequate profits to be made.

Forestry activity declined, mainly because of the devastating impact of the pinetree mite on large areas of coniferous forests.

Agricultural products for domestic consumption seem to have developed favourably until the above-mentioned excess rainfall, which affected the harvests of all the basic grains, especially beans, wheat and sorghum. This explains the decline in the production of these three crops, which was partially mitigated by moderate increases in maize and rice production.^{1/}

The Government continued its policy of promoting grain production, especially by fixing favourable support prices (slightly higher than those set for the 1977/1978 season) and increasing the credit granted by the National Agricultural Development Bank (BANDESA). Nevertheless, judging from the grain purchases made by the National Agricultural Marketing Institute (INDECA) and the limited share of the National Agricultural Development Bank in the total financing of loans, these policies did little to encourage small farmers, toward whom the government's policy is supposed mainly to be directed.

^{1/} Part of the rice harvest was lost during processing, however, due to the variety sown.

The agricultural development policy measure of potentially greatest import that was adopted during the year was the new Law on Co-operatives which, inter alia, establishes the National Institute of Co-operatives and the Confederation of Co-operatives. These new institutions can be expected to stimulate the co-operative movement, which already has over 100,000 members in its base organizations.

(ii) Mining. Mining's relative share in the gross domestic product, although still very small, has expanded rapidly because of the opening of a large nickel mine in 1978. In the first year, the processing plant operated at only 20% of its capacity, but in 1979 the rate increased to 50%, even though a prolonged strike interrupted activities for a while. Thus, for the first time Guatemala achieved significant participation in the international ferronickel trade, although at a level which was still limited in real terms.

The large investments made in petroleum explorations in previous years began to bear some fruit in 1979. Towards the end of the year, approximately 4,000 barrels per day were being produced, equalling nearly one-fifth of the country's consumption. Of this amount, some 1,500 barrels were used in Guatemala and the remainder, which required refining, was stored for export, awaiting the conclusion of a 12-inch pipeline with capacity to transport 60,000 barrels per day from the oilfields to the Atlantic ports.^{2/}

Finally, three transnational corporations continued active exploration of some 180,000 hectares granted by the Government on a contract-concession basis. If the trends of recent years are maintained, it is not unreasonable to suppose that Guatemala could reach self-sufficiency in this strategic product in a relatively short period.

(iii) Manufacturing. The industrial sector expanded at a slower rate than in previous years because of the decline in economic activity in general and the problems of the Central American integration movement, which absorbs a considerable amount of Guatemala's industrial production. Looking

^{2/} This pipeline began operating in January 1980. For the moment, the country does not have the capacity to refine this petroleum. However, the Government is considering the feasibility of establishing a small refinery with capacity for 15,000 barrels per day.

at the sector's development by branches, the food, leather and footwear industries, metal manufactures and machinery, and especially the textile industry are noteworthy because of the continuous growth of their exports to third countries. On the other hand, the production of branches connected with construction and the chemical industry decreased (see table 5).

During the year, new investments were made in the manufacturing sector, notably in a small flat glass factory and in some agro-industries (including a new sugar mill). Some existing factories also increased their installed capacity, for example, the cement factory, a glazed tile factory and a wide range of establishments involved in producing consumer goods.

Despite the difficulties hindering the operation of the Central American Common Market (problems of transit across Nicaragua during the months of the country's uprising and restrictions on access to markets in Nicaragua and Costa Rica), Guatemala's exports of manufactures to the rest of the region increased slightly in nominal terms, while the quantum remained at the levels of the previous year. Nevertheless, in past years these exports had developed much more dynamically.

Some important measures were adopted in the field of industrial policy. First, a new Law on Incentives for Export Enterprises came into force, replacing previous legislation and aimed at facilitating subcontracting activities.^{3/} Secondly, the Law on the Promotion of Industrial Decentralization was approved. This law furnishes incentives to plants built outside the Guatemala City metropolitan area.^{4/} Thirdly, the law establishing a free industrial and commercial zone in the Atlantic port of Santo Tomás de Castilla was revised in order to attract new export manufacturing activities to that city.^{5/} Finally, an industrial sectoral planning unit was established within the Ministry of Economic Affairs to promote the industrial development programme contained in the 1979-1982 Development Plan. The National Financial Corporation (CORFINA), for its

^{3/} Decree No. 30-79 of the Congress of the Republic of Guatemala, 24 May 1979.

^{4/} Decree No. 24-79 of the Congress of the Republic of Guatemala, 2 May 1979.

^{5/} Decree No. 15-79 of the Congress of the Republic of Guatemala, 29 March 1979.

part, continued to promote new manufacturing activities through credits, especially in the agro-industrial branch. This institution's activities increased by 54% with respect to the previous year.

(iv) Construction. After the 1976 earthquake, construction became one of the most dynamic activities in the economy and had a corresponding impact on the creation of jobs and the absorption of goods from the building materials industry. However, the natural tailing-off of the effects of this reconstruction, combined with the decrease in private investment, caused a severe drop in construction in the second half of 1979. Thus, according to indicators of the Banco de Guatemala, the area of new construction authorized in Guatemala City decreased almost 18% in 1979, and the value of this building work went down by slightly more than 13% (see table 6). Even so, however, construction activities increased slightly with respect to 1978 because of the deferred effect of the building begun during that year and the compensatory role of public investment.

3. The external sector

As far as Guatemala was concerned, the international economy displayed a contradictory picture in 1979. Among the adverse factors were the decline in the growth rates of the industrialized countries and the higher inflationary pressures, as well as a notable increase in interest rates in the principal world financial markets. Added to this was the increasingly unsatisfactory functioning of the Central American integration process, which has absorbed almost one-fourth of Guatemala's exports in the past.

Despite these phenomena, the trend begun years ago towards expanding and diversifying exports continued to such an extent that, as already noted, the export sector became the main source of economic dynamism.

Furthermore, there was an abundant inflow of external financing. The petroleum explorations gave rise to large direct foreign investments, while the public sector continued to draw on official loans contracted on a relatively concessionary basis with official financing organizations and, despite the increase in the interest rates on loans in the international financial markets, the private sector continued to receive large sums in suppliers' credits. Although this same phenomenon of higher external interest

/rates did

rates did provoke speculative movements of capital abroad (a phenomenon to which non-economic factors contributed), the net capital inflow was almost sufficient to cover the deficit on current account, so that the international reserves decreased by only US\$ 25 million, and at the end of the year the country still had ample international holdings, equal to some six months' imports of goods at the 1979 level.

(a) Merchandise trade

The drop of nearly 15% in the international price of coffee - the country's main export item - was more than offset by the rise in the prices of cotton, sugar and meat, so that the unit value of exports increased slightly (see tables 7 and 8). The volume of exports also increased nearly 5% because of the increase in the amount of practically all traditional export products sold and the rapid growth of some items which until recently had not been exported or had counted for little in total exports, such as cardamom and nickel. The increasing diversification of external sales is exemplified by the fact that coffee accounted for one-third of all exports, while six other products (cotton, sugar, bananas, meat, cardamom and nickel) made up nearly the same percentage, and various other products accounted for the remainder (see table 9).

The volume of merchandise imports increased at a moderate pace, slower than the growth of the gross domestic product; however, their unit value rose sharply (18%), reflecting the inflationary pressures in the industrialized countries and the increased cost of petroleum and its derivatives.^{6/} This contributed to the deterioration of over 14% in the terms of trade and the significant increase in the deficit on the trade account with respect to the previous year.

Analysis of imports by economic groups shows that there were no major changes. The growth rate of external purchases of raw materials remained consistent with the moderate growth in the industrial sector. The value of petroleum imports increased greatly, largely due to the increase in their

^{6/} The effective exchange rate for the quetzal, which is at parity with the dollar, remained nearly stable throughout the year because the moderate depreciation of the dollar against the principal European currencies was counteracted by its significant increase with respect to the Japanese yen.

price, since their volume increased only slightly. External purchases of capital goods increased at lower rates than in previous years because of the relative decline in global investment, while imports of consumer goods (both durable and non-durable) expanded overall by 12.5% (see table 10).

In spite of the irregular functioning of the Central American Common Market, the value of sales to the rest of the region increased once again, at a rate even slightly higher than that of total exports, so that the relative share of sales to Central America as a whole came to slightly over 23%. On the other hand, the official statistics show a spectacular increase in Guatemala's imports from the rest of the region, so that the country's traditional trade surplus with Central America (approximately US\$ 130 million, for the past two years) decreased to some US\$ 70 million in 1979. These figures probably conceal movements of capital from Nicaragua and El Salvador into Guatemala, however, and in real terms Guatemala's trade with the rest of the region showed much less dynamism than in previous years.

(b) The services trade and factor payments

The services account balance, which is traditionally negative, was smaller than in 1978, mainly due to a large increase in the export of services (see table 11). This growth can be attributed to three phenomena. First, investment income rose significantly, partially because of the increase in interest rates in the markets where the international monetary reserves are invested, thus leading to the extraordinary situation whereby income under this heading nearly compensated for outflows in respect of factor payments. Secondly, although Guatemala still has a deficit on the tourism account, inflows under this heading increased significantly, partially because of the efforts made in previous years to develop international tourism, which caused the number of hotel rooms to double between 1973 and 1979 and raised the occupation index to 80% in the latter year. Thirdly, there was a significant increase in income under the "miscellaneous" heading, which was connected with an increase in sales commissions which agents of foreign (especially Central American) enterprises in Guatemala received from their firms 7/ as well as the expenditures of foreign personnel in the country.

7/ It may be presumed that part of these sales commissions conceal flights of capital from other Central American countries to Guatemala.

(c) The current account position and its financing

The deficits on the trade and services accounts, which were partially offset by an increasingly positive balance on the transfer account (in which family remittances from Guatemalans working abroad are taking on increasing importance), yielded a deficit on current account of nearly US\$ 330 million. Although it is the largest in the country's history, this deficit may be considered manageable because it represents somewhat less than 23% of the foreign currency income generated by exports of goods and services, and barely 0.4% of the gross domestic product.

This deficit was financed almost entirely from net capital inflows, since the country lost only US\$ 25 million in international monetary reserves, that is to say, approximately 3% of the reserves which it possessed at the end of the year (see table 11).

The most striking feature of capital movements in 1979 was their magnitude. Total inflows of all types exceeded the 1978 figure by nearly 30%, while outflows were 60% larger than those of the preceding year. These movements were connected with higher levels of transactions on current account and speculative capital movements in both directions. Thus, during the first half of the year the country received a net inflow of resources from neighbouring countries, while during the second half there was evidence of net flights of capital. Both phenomena were caused by non-economic factors and, towards the end of the year, were compounded by a growing disparity between Guatemalan active and passive interest rates and those in force in the principal international capital markets.

The net capital movements came from various sources. First, direct foreign investment continued to be nourished by the inflow directed to petroleum exploration activities, which had already played an important role during the previous year (the construction of the pipeline alone absorbed more than US\$ 50 million). Moreover, capital inflows from El Salvador and Nicaragua are estimated to have increased, although the exact amount cannot be determined. Thirdly, short-term commercial commitments connected with the growing level of current import and export operations increased 60%. It may be presumed that the bulk of these commitments were made during the first half of the year, when interest rates on the international market were still in

/line with

line with domestic ones. Such high figures may also partially conceal the speculative capital movements which have already been mentioned several times before: for example, nearly US\$ 60 million in advance payments by Central American importers and more than US\$ 90 million in advance payments on future coffee sales were recorded as income. Finally, the Central Government continued to draw on official long-term external loans at a higher rate than in 1978, partly in order to finance the growing level of public investment.

With regard to capital outflows, mention has already been made of the attraction exerted by the higher interest rates on international markets, at least during the second half of the year, and the outflow caused by the atmosphere of political instability that prevailed in Central America in 1979. The official balance of payments shows US\$ 64 million in debits against foreign investment (compared to US\$ 28 million in 1978) and nearly US\$ 100 million in "deposits abroad" (compared to US\$ 21 million the previous year). Moreover, as noted previously, additional outflows were probably hidden under other items on both the capital and current accounts.

Finally, it should be noted that amortization payments on long-term official and bank capital remained at a very low level. Thus, the servicing of the external public debt only accounted for slightly more than 2% of the total value of exports of goods and services, one of the lowest coefficients in the whole of Latin America (see table 12).

4. Prices and wages

(a) Prices and anti-inflation policy

It is not surprising that an economy as open to international trade as Guatemala's should be subject to inflationary pressures that roughly correspond to the processes taking place in developed economies. In recent years, however, the inflation due to external price rises has been compounded by one of domestic origin, caused mainly by the effect on prices of the selective increases in wages made after the earthquake in February 1976 and a growing surplus of demand due to the high liquidity the economy achieved in the period 1977-1978 as a result of the sharp increase in international monetary reserves.^{8/}

^{8/} See the section on Guatemala in the Economic Survey of Latin America, 1977 and 1978.

The inflationary pressures of the previous two years persisted and even increased in 1979, although in this latter year the inflation was mainly caused by the rising price trends in the international trade in goods and services. The annual average variation in the consumer price index was 11.5%, while the variation from December to December was 13.7%, both these figures being higher than those recorded for 1978.

It would seem that the growth rate of food prices was slightly lower than the general index, while the index for housing, fuel and services was much higher (see table 13). According to official indicators, inflation was slightly lower in rural areas than urban ones. Finally, in contrast to the experience of the past four years, when inflation tended to decrease in the second half of the year, the trend was reversed in 1979 and there were clear signs of acceleration towards the end of the year. This may partially be attributed to the sudden increase in basic grain prices after the damage done to the harvests by the excess rainfall in October and November.

Nevertheless, the price variation was quite similar to that in the United States, so that the quetzal-dollar relationship remained stable. Similarly, the variation was comparable to and even lower than that which occurred in the majority of Central American countries, so that Guatemala's competitiveness in its principal external markets did not decrease.

Throughout the year, the Government continued to apply measures designed to lighten inflationary pressures. In addition to the above-mentioned policies of stimulating production, it established ceiling prices for a wide range of goods, including some foodstuffs (milk, sugar, eggs and certain processed products), raw materials and cement, although in fact these ceiling prices were not always respected. Although some increases in the ceiling prices were authorized during 1979, most of them were preserved, so that in some instances, such as that of milk for example, production was discouraged. The policy of subsidizing urban public transport was also continued at a cost to the Central Government of some 10 million quetzales, and despite adjustments in electrical energy tariffs, this continued to be provided at prices which did not allow the National Electrification Institute to achieve the level of profitability laid down in its financial programming. The increases in the

/prices of

prices of petroleum derivatives, for their part, affected the final products selectively: thus, the impact on gasoline was above the average, while the price increases for diesel fuel and kerosene - fuels which count for more in the expenditures of the lower income strata - were well below average. Finally, as we shall see below, the traditional policy of prudence in managing public finances and monetary policy was continued.

In sum, although Guatemala's inflation rate for 1979 can be considered "normal" in an international context, it was higher than in previous years, and although the Government applied a set of policy measures designed to mitigate inflationary pressures, the efficacy of those measures is questionable, especially because many of the ceiling prices were not observed.

(b) Employment and wages

In view of this increased inflation rate, it would have been interesting to determine the size of wage adjustments, but unfortunately there was not enough information available for this. From the available data and some partial evaluations, however, it may be estimated that on average real wages decreased slightly. For example, data provided by the Guatemalan Institute of Social Security show that the average wage of registered workers increased by 13.5%, a figure slightly higher than the variation in the price index (see table 14). Nevertheless, the last industrial survey, carried out in July 1979 in 2,388 manufacturing establishments, shows that average wages increased only 4% with respect to the same month of the previous year, as also did total employment. The Central Government, which authorized very substantial wage adjustments in 1978,^{9/} did not approve any adjustments in 1979.^{10/}

^{9/} See Economic Survey of Latin America, 1978.

^{10/} In November 1978 the Legislature approved an obligatory Christmas bonus equal to one month's wages instead of the half-month bonus which had been granted up to then. Because of the timing of this provision, both the Central Government and many enterprises paid half a month's wages as a Christmas bonus in December 1978, and the remainder in January 1979, so that its impact was felt in 1979. Likewise, the Central Government's budget for 1980 provided for a new wage adjustment, but obviously it had no effect in 1979.

The turbulence characterizing worker-employer relations in 1978 continued in 1979, although less intensively because of a weakening in the organized workers' movement in the face of confrontations which were not always free from violence. According to the partial data available, most strikes were solved with smaller wage adjustments than in previous years.

Furthermore, although preliminary work was done on revising the minimum wage in various branches, including commerce, none of these revisions came into force during the year. Thus, while minimum wages were revised in six branches in 1978, in 1979 no revisions came into effect.

The most important economic policy measure adopted during the year in the field of wages and employment was undoubtedly a new draft Labour Code which the Executive sent to Congress. This legal instrument gave rise to a lengthy and intensive debate. The official sector proclaimed it the centrepiece of its social policy and the employers' associations generally supported it. On the other hand, the labour sector expressed generally critical views, or openly opposed it.^{11/} The most controversial aspect was the proposal for establishing universal indemnity, equal to one month per year worked, which the employers would pay into a fund from which the individual worker's indemnity would be drawn when he terminated his relationship with the enterprise employing him. This provision was considered by some to be an important step forward in the country's labour legislation, which up to now has granted indemnity only for "unjustified dismissal", but others argued that it entailed a reduction in the indemnity's value, and in any case meant loss of work stability. It was even argued that the new Code would abolish the indemnity and replace it with an allowance for time served, all of which would mean forfeiting what the labour movement had already achieved. At the end of the year, the legislation had still not been approved by the Legislature.

Finally, the few data available on employment suggest that jobs increased at a rate similar to or slightly lower than the growth rate of the economically active population. The number of workers affiliated with

^{11/} According to a public declaration made by the National Committee for Trade Union Unity (CNUS) to the Congress of the Republic in January 1980, the draft "openly violates the interests of workers".

the Guatemalan Institute of Social Security increased by 3.2%, with the majority absorbed by the services sector. The number of agricultural workers increased by 2.1%, while that of industrial workers declined slightly.^{12/}

5. Monetary and fiscal policy

(a) Developments in finances and fiscal policy

Guatemala's tax system still rests to a large extent on indirect taxation, in which tariffs on external trade weigh heavily. Because of the coffee boom in 1976/1977 and the progressive nature of the taxes levied on the export of that product, tax revenues grew at a fast pace, and the years 1977 and 1978 ended with a fiscal surplus. In 1979, however, this trend was reversed. Fiscal inflows not only ceased to grow, but even decreased with respect to the previous year, while investment expenses increased faster than in the previous biennium. Consequently, the budgetary deficit climbed significantly (see table 15).

Total income decreased by slightly more than 1%; the taxation coefficient declined from 10.1% in 1978 to 8.8% in 1979 and continued to be one of the lowest in Latin America. Predictably, the main drop in income was in tax revenue on coffee exports, because of the lower unit price at which that product was marketed. In absolute terms, the drop came to 32 million quetzales, 20% less than the figure for the previous financial year. Income tax revenue also fell (by 8%), due to the decline in economic activity after mid-1978 and, according to statements by the Ministry of Finances, to defects in the tax administration system. Property tax revenue also decreased considerably, likewise no doubt reflecting the limitations in tax administration, especially in view of the large amount of money spent on a revaluation programme which the Government has been sponsoring since the beginning of the 1970s. With the decline in direct tax collection, its relative share in total tax revenue decreased from 16.4% in 1978 (in itself an extremely low figure when compared with the rest of the countries of the region) to 14.9% in 1979.

^{12/} Even though, according to the industrial survey for July mentioned earlier, the number of workers in the enterprises surveyed increased by 4.8% with respect to the same month in 1978.

In short - and in keeping with the increases in total consumption mentioned in the first part of this article - the only taxes which increased were those levied on consumption: income from transaction taxes (stamps and stamped paper) increased nearly 13%, revenue from the tax on petroleum derivatives increased 17%, and import tax income more than 7%.^{13/}

It should be noted that despite the drop in tax revenues, the taxation system played a stabilizing role by decreasing the burden of taxes on the coffee industry at a time when coffee prices were going down on the world market, mitigating this decline's adverse effects on employment and wages. However, it should also be noted that the Government made no effort to correct the high vulnerability of the taxation system, or to raise the tax burden through changes in the relevant legislation or even improvements in administration.^{14/}

While total income decreased, however, operating costs went up by 10%. Part of this increase was used to improve the provision of basic services for the population: the nominal budgetary allocations for education and health increased by 48% and 46%, respectively, and their relative share in the total budget of operating costs rose from 30% to 35%.^{15/} Allocations to the Ministry of Agriculture also increased (by 50%), indicating the relative priority which the Government assigns to agricultural development.

^{13/} It should, however, be mentioned that the average rate of import duties decreased from 7.6% in 1978 to 7.1% in 1979, the lowest rate in the last 20 years. This may partially be explained by the fact that many of these taxes are applied on a specific basis (normally, the weight of the merchandise), so that the revenue collected is in inverse relation to the rising price trends.

^{14/} Nevertheless, important progress was made during the year in tax administration with the introduction of the Tax Identification Number (NIT), which will make it easier to identify all tax payers in future.

^{15/} Unfortunately, as this article is being written, no breakdown is as yet available of real expenditures among the various Government departments or activities. The operating costs budget was implemented to a total extent of 90%, but naturally some items were implemented to 100%, while others had a lag between the amount spent and the amount budgeted.

Another portion of the increase went to security: the relative share of allocations to the Ministries of the Interior and National Defence in the total budgeted operating costs increased from 15.7% to 18%.

As a result of the increase in real operating costs and the decrease in income, savings on current account decreased from 185 million quetzales in 1978 to 129 million in 1979: approximately one-third of the amount required to finance capital expenditures during the year. In other words, the Central Government had recourse to credit to finance two-thirds of its capital expenditures, in contrast with the proportion of only 43% the previous year.

The Central Government was able to increase its fiscal and financial investments by nearly 18%, which represents not only an absolute increase, but also improved implementation of the budgeted investment. In previous years it had had great difficulty in implementing fully the capital projects and programmes that had been planned, for various reasons connected with the State's organizational ability and public contracting procedures.^{16/} In 1979, implementation of the capital budget reached 75% and, as already noted, the public sector made up (at least partially) for the decline in private investment. Among the most important public investment projects are those connected with the generation of hydroelectricity, which absorbed more than 40% of the capital budget, and the continuation of reconstruction programmes in the wake of the damage done by the 1976 earthquake, including work on hospitals, schools and houses and the repair of many long stretches of highway.

As a result of these changes, the budgetary deficit was over 70% greater than that for 1978, and almost two and a half times greater than that for 1977. In order to finance this deficit, the Government resorted both to domestic and external credit and also used part of the financial surpluses accumulated during the previous three years.^{17/}

^{16/} The improved implementation rate in 1979 is partially explained by the Government's tendency to bypass the public contracting procedure by declaring many of its works "national emergencies".

^{17/} The policy of using cash balances instead of negotiating new loans marked an improvement in the Central Government's handling of its cash resources and allowed considerable savings to be made (10 million quetzales) on interest payments in respect of the domestic public debt.

It should be noted that some years ago, external credit began to be preferred to domestic, and this trend was intensified in 1979. Thus, while in 1977 some 75% of the debt came from the issue of bonds for placing with the intermediation system and the Central Bank itself, in 1978 this proportion declined to less than 15%, and in 1979, external credit represented 145% of the total indebtedness: in other words, the net domestic debt showed a negative balance. This trend was due to the lack of liquidity in the intermediation system, which not only prevented the latter from acquiring State bonds, but forced it to seek financing from the Central Bank and thus to become the Government's competitor for access to greater liquidity. On the other hand, it is significant that the increase in the public debt was relatively moderate, since a large part of the budgetary deficit was financed by the financial surplus of previous years which the Central Government had deposited in the banks. In this sense, the public debt balance continued to be relatively small compared with other Central American countries.

(b) Monetary policy

For various reasons a growing lack of liquidity was noticeable on the monetary scene during the year. First, in contrast to previous years, Guatemala's international monetary reserves declined, and although this drop was extremely small, it contrasted with the increase of US\$ 290 million recorded between 1977 and 1978. Secondly, heavy credit pressure was brought to bear on the system. As previously indicated, the Central Government drew upon its ample deposits and became a net debtor to the Central Bank, whereas in the two previous years it had finished as a net creditor. The private sector exerted strong pressure on the banks, perhaps seeking a partial substitute for external credit in the face of the growing difference between active interest rates in Guatemala and those prevailing in the principal capital markets, and attempting at the same time to reduce the use of its own resources for working capital in the light of the political turbulence characterizing the entire region in 1979. Thirdly, for the same reasons, the rate of attraction of deposits in the intermediation system decreased significantly.

/It is

It is difficult to determine the relative importance of the above-mentioned difference between active and passive interest rates in encouraging capital outflows and placing increasing credit pressure on the national intermediation system. It can be stated, however, that this difference definitely increased during the second half of the year. Thus, while in the months of September and November the passive interest rate on fixed-term deposits fluctuated around 13% in New York, 15% in London and 20% in Mexico, the average rate in Guatemala was less than 8%. At the same time, while the prime rate for loans in New York varied between 15% and 16%, the actual average rate in Guatemala was close to 11%. Towards the end of the year, the Monetary Board considered the possibility of adopting the necessary policies to eliminate this disparity, but the relevant measures were not put into effect during the year.

The outward flow of capital and the slowing down of economic activity combined to decrease the rate of attraction of deposits. Thus, while in the three previous years monetary deposits and quasi-money had increased by 15% per year, in 1979 they rose only 9%. The Central Bank adopted various measures in order to counteract this trend. First, it increased the amount of rediscounts and advances to the banks in the system, nearly tripling the levels of the previous year. Secondly, for the first time it adopted a policy of seasonal modifications of banking reserves in order to adjust the free resources of the intermediation system (deposits minus required cash reserves) to the seasonal variations in the demand for credit. This provision helped to reduce the real cash reserves coefficient, and the banks in the system once again received additional resources. Finally, these banks significantly decreased their holdings of bonds by selling them to the Central Bank; the Banco de Guatemala, for its part, stopped promoting the placement of State securities in the private sector in order to avoid absorbing more liquidity. Thus, while at the end of 1978 the public sector had a net debt to private banks of 36 million quetzales, at the end of 1979 it had become a net creditor in the amount of some 2 million quetzales.

The means of payment (currency, deposits, money and quasi-money) increased 11.7% in all, a lower rate than that of the three previous years and much less than the rise in the gross domestic product measured at current /prices. This

prices. This situation naturally limited the intermediation system's power to increase credit, although it did increase at a rate somewhat higher than the growth of the product. Net credit to the public sector increased from a negative to a positive figure (although in absolute terms the Government's level of indebtedness to the Banco de Guatemala cannot be considered high), while credits to the private sector grew by approximately 20% (see table 16).

The authorities kept the regulations in force in previous years virtually unchanged, despite the significant modifications in international financial markets which would suggest the need for a change in the country's interest rates. In general, the Central Bank attempted to give greater support to production and to facilitate adequate growth in liquidity. For this purpose, it used various instruments to restore the liquidity that the banks had lost due to the decline in monetary deposits. The main new measure, as already mentioned, was the seasonal modification of banking reserves, although this did not make a notable difference in the established level of reserves; indeed, the practice of maintaining separate reserve rates for monetary deposits and savings deposits was preserved, despite some past attempts to unify them.

Table 1

GUATEMALA: MAIN ECONOMIC INDICATORS

	1974	1975	1976	1977	1978	1979(a)
A. Basic economic indicators						
Gross domestic product at factor cost (millions of dollars at 1970 prices)	2 827	2 882	3 095	3 337	3 521	3 697
Population (millions of inhabitants)	6.1	6.2	6.4	6.6	6.8	7.1
Per capita gross domestic product (dollars at 1970 prices)	467	462	481	503	575	525
	<u>Growth rates</u>					
B. Short-run economic indicator						
Gross domestic product at factor cost	6.4	1.9	7.4	7.8	5.5	5.0
Per capita gross domestic product	3.1	-1.2	4.2	4.6	2.4	1.9
Gross income (b)	3.7	1.9	7.5	12.7	4.0	2.5
Terms of trade	-15.4	-1.6	8.0	23.5	-9.9	-14.4
Current value of exports of goods and services	32.0	11.5	26.8	38.2	-2.9	8.3
Current value of imports of goods and services	56.1	5.9	39.6	21.8	11.3	16.0
Consumer price index						
December-December	27.5	0.8	18.9	7.4	9.1	13.7
Variation between annual averages	15.9	13.1	10.7	12.6	7.9	11.5
Money	15.0	16.5	38.6	18.6	8.9	10.9
Wages and salaries (c)	17.8	5.6	4.5	-4.2	13.2	13.5
Current income of government	31.1	18.0	23.3	45.3	11.7	-1.2
Total expenditure of government	22.8	12.1	55.4	9.0	15.9	11.7
Fiscal deficit/total expenditure of government (d)	21.6	16.4	35.6	14.2	17.3	26.9
	<u>Millions of dollars</u>					
C. External sector						
Trade balance (goods and services)	-110	-77	-208	-90	-296	-446
Balance on current account	-101	-66	-81	-59	-207	-329
Variation in net international reserves	-15	104	218	182	68	-25
External debt (e)	174	201	239	302	391	514

(a) Preliminary figures.

(b) Gross domestic product at market prices plus terms-of-trade effect.

(c) Based on social security contributors.

(d) Percentage.

(e) Public external debt plus State-guaranteed disbursed private debt.

Table 2

GUATEMALA: TOTAL SUPPLY AND DEMAND

	Millions of quetzales at 1970 prices			Percentage breakdown		Growth rates		
	1977	1978	1979(a)	1970	1979(a)	1977	1978	1979(a)
	Total supply	3 508	3 703	3 847	117.8	120.0	8.7	5.6
Gross domestic product at market prices	2 893	3 053	3 206	100.0	100.0	7.8	5.5	5.0
Imports of goods and services (b)	615	650	641	17.8	20.0	13.0	5.8	-1.4
Total demand	3 508	3 703	3 847	117.8	120.0	8.7	5.6	3.9
Domestic demand	2 905	3 105	3 216	99.2	100.3	9.5	6.9	3.5
Gross domestic investment	495	571	559	12.8	17.4	11.3	15.5	-2.1
Gross fixed investment	462	497	520	12.5	16.2	9.3	7.5	4.5
Public	128	119	127	2.4	4.0	15.5	-6.6	6.5
Private	334	378	393	10.1	12.2	7.0	12.9	3.8
Changes in stocks	33	74	39	0.3	1.2			
Total consumption	2 410	2 534	2 657	86.4	82.9	9.1	5.1	4.8
General government	212	221	234	8.0	7.3	6.7	4.0	5.8
Private	2 198	2 313	2 423	78.4	75.6	9.4	5.2	4.8
Exports of goods and services (b)	603	598	631	18.6	19.7	4.9	-0.7	5.6

Source: 1970-1978, CEPAL calculations on the basis of figures supplied by the Central Bank of Guatemala; 1979: CEPAL estimates on the basis of data from the same source.

(a) Preliminary figures.

(b) The figures for exports and imports of goods and services were taken from balance-of-payments data expressed in dollars at current prices, which were converted to constant 1970 values by deflation, using price indexes calculated by CEPAL for the purpose.

Table 3

GUATEMALA: GROSS DOMESTIC PRODUCT, BY KIND OF ECONOMIC ACTIVITY, AT FACTOR COST

	Millions of quetzales at 1970 prices			Percentage breakdown		Growth rates		
	1977	1978	1979(a)	1970	1979(a)	1977	1978	1979(a)
	Agriculture	784	814	845	30.1	28.4	3.9	3.9
Mining	3	6	7	0.1	0.2	14.8	80.6	25.5
Manufacturing	400	427	451	14.6	15.1	10.7	6.7	5.6
Construction	116	120	123	2.2	4.1	12.4	2.9	2.7
Subtotal goods	1 303	1 367	1 426	47.0	47.8	6.6	4.9	4.3
Electricity, gas and water	33	36	38	0.9	1.3	25.1	9.5	5.9
Transport, storage and communications	113	121	128	3.5	4.3	7.3	7.1	5.4
Subtotal basic services	146	157	166	5.4	5.6	11.0	7.6	5.5
Commerce, financial institutions and insurance	741	785	831	27.5	27.9	10.3	6.0	5.9
Real estate (b)	134	143	148	7.8	5.0	8.2	6.8	3.5
Community, social and personal services (c)	372	387	408	13.3	13.7	2.9	4.1	5.3
Subtotal other services	1 247	1 315	1 387	48.5	46.6	7.7	5.5	5.5
Total gross domestic product (d)	2 703	2 852	2 995	100.0	100.0	7.8	5.5	5.0

Source: 1970-1978: CEPAL calculations on the basis of figures supplied by the Central Bank of Guatemala; 1979: CEPAL estimates on the basis of data from the same source.

(a) Preliminary figures.

(b) Refers to ownership of dwellings only.

(c) Also includes restaurants, hotels and business services.

(d) As the individual activities and the totals were calculated independently, the sum of the former does not correspond exactly with the latter.

Table 4

GUATEMALA: INDICATORS OF AGRICULTURAL PRODUCTION

	1976	1977	1978	1979(a)	Growth rates		
					1977	1978	1979(a)
Index of agricultural production (b) (base year 1975 = 100)	104.5	108.6	112.8	117.0	3.9	3.9	3.7
Crop farming	103.5	107.2	108.1	111.6	3.6	0.8	3.2
Stock-raising	106.1	110.8	120.5	125.9	4.4	8.8	4.5
Production of the main crops							
Coffee (c)	3 106	3 223	3 248	3 400	3.8	0.8	4.7
Cotton (c)	2 384	3 059	3 201	3 500	28.3	4.6	9.3
Bananas (d)	18 030	12 298	13 592	13 800	-12.3	10.5	1.5
Sugar cane (e)	135	132	104	101	-2.8	-20.9	-3.0
Maize (c)	18 384	16 895	19 705	20 400	-8.1	16.6	3.5
Beans (c)	3 258	2 946	3 141	2 500	-9.6	6.6	-20.4

Source: CEPAL, on the basis of official data.

- (a) Preliminary figures.
 (b) On the basis of figures at 1958 prices.
 (c) Thousands of quintals.
 (d) Thousands of hands.
 (e) Millions of quintals.

Table 5

GUATEMALA: INDEXES OF MANUFACTURING PRODUCTION

	Index 1975 = 100				Growth rates		
	1976	1977	1978	1979(a)	1977	1978	1979(a)
Total	119.6	119.6	127.9	135.1	0.3	6.7	5.7
Food	107.4	116.2	122.6	129.2	8.2	5.5	5.4
Beverages	121.6	151.0	159.8	164.4	24.2	5.8	2.9
Tobacco	118.0	129.6	136.4	142.3	9.8	5.3	4.3
Textile products	112.0	123.6	132.4	140.0	10.4	7.1	5.7
Clothing and footwear	103.7	106.8	110.4	119.2	3.0	3.4	7.9
Leather	103.9	113.7	118.1	122.1	9.4	3.9	3.4
Wood	110.7	128.0	143.2	149.3	15.6	11.9	4.3
Furniture	105.2	108.4	116.0	116.0	3.0	7.1	-
Paper	103.9	108.6	115.5	124.9	4.5	6.4	8.1
Printing	100.8	104.8	111.6	115.8	4.0	6.5	3.7
Chemical products	105.5	116.5	122.2	118.5	10.4	4.9	-3.0
Non-metallic minerals	113.6	133.5	149.4	161.2	17.5	11.9	7.9
Metal manufactures and machinery	208.8	112.6	120.3	135.8	-46.1	6.8	12.9
Miscellaneous	118.5	136.2	153.7	159.0	15.0	12.9	3.4

Source: CEPAL, on the basis of official data.

- (a) Preliminary figures.

Table 6

GUATEMALA: INDICATORS OF CONSTRUCTION ACTIVITY

	1976	1977	1978	1979	Growth rates		
					1977	1978	1979
Area constructed (a) (thousands of m ²)							
Total	451	518	634	521(a)	14.8	22.4	-17.8
Dwellings	270	281	278	175(a)	4.0	-1.0	-37.1
Production of cement (index: 1972=100)	180.2	199.1	208.2	231.9	10.5	4.6	11.4
Employment (b) (thousands of persons)	22.9	24.8	35.1	35.3	8.4	41.6	0.6

Source: CEPAL, on the basis of official data.

- (a) Refers to construction permits issued in the capital. Does not include reconstruction programmes.
 (b) Members of the Guatemalan Institute of Social Security.

Table 7

GUATEMALA: MAIN FOREIGN TRADE INDICATORS

	1974	1975	1976	1977	1978	1979(a)
	<u>Growth rates</u>					
Exports of goods FOB						
Value	31.7	10.1	22.4	51.9	-5.2	5.9
Volume	9.1	-1.0	5.6	12.6	-1.7	4.9
Unit value	20.7	11.2	16.0	34.9	-3.5	1.0
Imports of goods FOB						
Value	61.3	6.5	42.7	18.9	5.8	23.5
Volume	13.1	-5.7	32.9	8.8	-1.2	4.7
Unit value	42.7	12.9	7.3	9.3	7.1	18.0
Terms of trade	-15.4	-1.6	8.0	23.5	-9.9	-14.4
	<u>Indexes (1970 = 100)</u>					
Terms of trade	69.2	68.1	73.7	90.9	81.9	70.1
Purchasing power of exports of goods	99.0	96.4	110.0	152.9	135.5	121.6
Purchasing power of exports of goods and services	108.8	108.1	121.9	162.6	148.1	134.9

Source: CEPAL, on the basis of official figures.

(a) Preliminary figures.

Table 8

GUATEMALA: UNIT VALUES OF THE MAIN EXPORT COMMODITIES

	Unit	Average unit prices (dollars)				Growth rates		
		1976	1977	1978	1979(a)	1977	1978	1979(a)
Coffee	Quintal	93.9	182.4	165.3	141.2	94.4	-9.4	-14.6
Ginned cotton	Quintal	41.8	53.2	50.0	61.0	27.1	-6.0	22.0
Bananas	Box	7.0	7.3	3.9	3.9	5.5	8.0	0.3
Meat	Quintal	68.2	67.8	93.8	120.0	-0.7	38.4	27.9
Sugar	Quintal	17.0	12.9	8.0	9.0	-24.1	-37.8	12.4
Cardamom	Quintal	377.2	335.8	598.3	725.0	-11.0	78.2	21.2

Source: CEPAL, on the basis of official data.

(a) Preliminary figures.

Table 9

GUATEMALA: EXPORTS OF GOODS, FOB

	Millions of dollars				Percentage breakdown		Growth rates		
	1976	1977	1978	1979	1970	1979	1977	1978	1979
Total	785	1 189	1 092	1 197	100.0	100.0	51.6	-8.2	9.6
Exports to Central America	189	228	255	280	34.4	23.4	20.5	11.8	9.8
Exports to the rest of the world	596	961	837	917	65.6	76.6	61.2	-12.9	9.6
Traditional	506	834	696	710	57.1	59.3	64.8	-16.5	2.0
Green coffee	243	526	475	410	33.9	34.2	116.7	-9.7	-13.7
Ginned cotton	85	152	139	201	8.9	16.8	79.2	-8.6	44.6
Bananas	46	46	24	25	6.9	2.1	-0.2	-47.8	4.2
Meat	25	28	31	42	4.3	3.5	12.0	10.7	35.5
Sugar	107	82	27	32	3.1	2.7	-23.3	-67.1	18.5
Non-traditional	90	127	141	207	8.5	17.3	41.1	11.0	46.8
Cardamom	15	27	27	50	1.3	4.2	76.0	-	85.2
Cocoa	1	12	7	6	-	0.5	1 080.0	-41.7	-14.3
Sesame seed	8	6	9	12	0.3	1.0	-32.9	50.0	33.3
Nickel	-	-	7	37	-	3.1	-	-	428.6
Miscellaneous	66	82	91	102	6.9	8.5	24.2	10.9	12.1

Source: CEPAL, on the basis of official data.

Table 10

GUATEMALA: IMPORTS OF GOODS, CIF

	Millions of dollars				Percentage breakdown		Growth rates		
	1976	1977	1978	1979(a)	1970	1979(a)	1977	1978	1979(a)
Total	974	1 249	1 391	1 611	100.0	100.0	28.2	11.4	15.8
Consumer goods	228	284	335	377	29.7	23.4	24.6	19.0	12.5
Durable	80	114	124	135	9.3	8.4	42.5	8.8	8.9
Non-durable	148	170	211	242	20.4	15.0	14.9	24.1	14.7
Intermediate goods	477	628	682	805	48.0	50.0	31.7	8.6	18.0
Petroleum and fuels	110	142	168	238	5.0	14.8	29.1	18.3	41.7
Building materials	73	82	86	98	6.3	6.1	12.3	4.9	14.0
Others	294	404	428	469	36.7	29.1	37.4	5.9	9.6
Capital goods	261	314	363	414	20.8	25.7	20.3	15.6	14.0
For agriculture	24	35	35	38	1.9	2.3	45.8	-	8.6
For industry	172	185	228	259	14.6	16.1	7.6	23.2	13.6
For transport	65	94	100	117	4.3	7.3	44.6	6.4	17.0
Miscellaneous	8	23	11	15	1.5	0.9	187.5	-52.2	36.4

Source: CEPAL, on the basis of official figures.

(a) Preliminary figures.

Table 11

GUATEMALA: BALANCE OF PAYMENTS
(Millions of dollars)

	1974	1975	1976	1977	1978	1979(a)
Current account						
Exports of goods and services	702	783	993	1 373	1 333	1 443
Goods FOB (b)	582	641	784	1 192	1 130	1 197
Services	120	142	209	181	203	246
Transport	19	22	26	29	31	32
Travel	57	78	66	66	68	82
Imports of goods and services	812	860	1 201	1 463	1 629	1 889
Goods FOB (b)	631	672	959	1 141	1 207	1 491
Services	181	188	242	322	422	398
Transport	91	86	109	139	191	157
Travel	52	55	82	100	111	120
Net payments of profits and interest on foreign capital	-48	-67	-71	-63	-24	-13
Profits	-46	-51	-82	-80	-49	-50
Interest	-2	-16	11	16	25	37
Net private transfer payments	57	78	198	94	113	130
Balance on current account	-101	-66	-81	-59	-207	-329
Capital account						
Net external financing (a+b+c+d+e)	101	66	81	59	207	329
a) Long-term capital	69	168	179	199	246	253
Direct investment (net)	47	80	91	95	118	83
Private sector	16	39	34	36	35	38
Loans	36	49	60	53	71	59
Amortization payments	-25	-21	-34	-24	-41	-59
Other liabilities and assets (net)	5	11	8	7	5	38
Official sector	6	49	54	68	93	132
Loans	35	63	62	82	115	126
Amortization payments	-25	-12	-8	-14	-22	-12
Other liabilities and assets (net)	-4	-2	-	-	-	18
b) Short-term capital (net)	18	3	119	39	28	51
Private sector	18	12	133	36	15	46
Official sector	-	-	-	-2	2	5
Errors and omissions	-	-9	-14	5	11	-
c) Assignment of Special Drawing Rights (SDR)	-	-	-	-	-	-
d) Official transfer payments	-1	-1	1	3	1	-
e) International reserves (minus sign indicates an increase)	15	-104	-218	-182	-68	25
Use made of IMF credit	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Monetary gold	-	-	-	-1	-	-
Special Drawing Rights	-	-	-	-	-	-9
IMF reserve position	-	-	-4	-1	-1	-2
Foreign exchange and other assets	15	-104	-214	-180	-67	36

Source: 1974-1978: International Monetary Fund, Balance of Payments Yearbook; 1979: CEPAL, on the basis of official data.

(a) Preliminary figures.

(b) Including non-monetary gold.

Table 12

GUATEMALA: INDICATORS OF EXTERNAL INDEBTEDNESS
(Millions of dollars)

	1975	1976	1977	1978	1979(a)
Total external indebtedness (b)	...	422	527	669	819
Public debt and State-guaranteed private debt	201	239	302	391	514
Servicing of external debt (c)	16	15	22	24	27
Amortization payments	8	9	14	14	14
Interest payments	8	6	8	10	13
Servicing of external debt, as a percentage of exports	2.5	1.9	1.9	2.2	2.3

Source: CEPAL, on the basis of official data.

(a) Estimates.

(b) Disbursed.

(c) Includes public external debt and State-guaranteed private debt.

Table 13

GUATEMALA: EVOLUTION OF DOMESTIC PRICES

	1974	1975	1976	1977	1978	1979(a)
<u>Variation December to December</u>						
Consumer price index	27.5	0.8	18.9	7.4	9.1	13.7
Food	29.7	-4.8	16.9	5.9	8.2	13.3
Wholesale price index	21.7	6.4	10.8	6.3	4.7	11.3(b)
Imported products	37.6	9.4	16.0	-7.4	3.5	23.3(b)
Domestic products	14.4	11.0	10.1	8.5	4.8	10.3(b)
Building materials			38.5	5.0	13.0	...
<u>Variation between annual averages</u>						
Consumer price index	16.0	13.1	10.7	12.6	7.9	11.5
Food	15.9	14.5	9.6	11.0	4.6	10.3
Wholesale price index	22.8	12.3	10.5	13.0	3.6	8.7(c)
Imported products	27.0	14.0	9.8	3.2	1.6	13.0(c)
Domestic products	21.3	13.0	10.5	14.6	3.8	8.3(c)
Building materials	30.7	20.6	29.0	18.8	15.7	...

Source: CEPAL, on the basis of official data.

(a) Preliminary figures.

(b) Variation from October 1978 to October 1979.

(c) Variation January-October 1978 compared with January-October 1979.

GUATEMALA: EVOLUTION OF WAGES AND SALARIES(a)

	Indexes (1970 = 100)				Growth rates			
	1976	1977	1978	1979	1976	1977	1978	1979
Wages and salaries								
Nominal	125.6	120.3	136.2	154.6	4.5	-4.2	13.2	13.5
Real	75.6	64.3	67.4	68.6	-5.6	-14.9	4.8	1.8

Source: CEPAL, on the basis of official data.

(a) Refers to data from the Guatemalan Institute of Social Security on the number of social security contributors and the wages and salaries declared in the period concerned.

Table 15

GUATEMALA: CENTRAL GOVERNMENT INCOME AND EXPENDITURE

	Millions of quetzales				Growth rates (b)		
	1976	1977	1978	1979(a)	1977	1978	1979(a)
<u>Current income</u>	407	591	661	653	45.3	11.7	-1.2
Tax revenue	370	557	621	614	50.4	11.5	-1.1
Direct	68	80	102	94	18.0	27.9	-8.0
Indirect	303	477	519	520	57.6	8.8	0.3
On foreign trade	119	249	264	240	109.3	6.1	-9.2
<u>Current expenditure</u>	336	405	476	523	20.6	17.4	10.0
Wages and salaries	137	181	236(c)	261(c)	32.5	30.0	10.9
Other current expenditure	199	224	240	262	12.4	7.2	9.1
Saving on current account	71	186	185	129	163.6	-0.5	-30.0
<u>Capital expenditure</u>	296	284	323	369	-4.1	13.8	14.3
Real investment	191	204	216	215	6.5	6.2	-0.6
Debt amortization payments	57	57	64	81	0.4	10.6	27.6
Other capital expenditure	48	23	43	73	-52.3	90.7	69.4
<u>Total expenditure</u>	632	689	799	892	9.0	15.9	11.7
<u>Fiscal deficit (or surplus)</u>	225	98	138	239	-56.4	40.8	73.2
<u>Financing of deficit</u>							
Domestic financing (d)	203	57	37	124	-71.9	-35.1	235.1
External financing	22	41	101	115	86.5	143.0	22.6

Source: CEPAL, on the basis of official data.

(a) Preliminary figures.

(b) The growth rates correspond to the real figures, not the rounded ones.

(c) Includes the emergency bonus.

(d) Includes the floating debt, capital income and changes in deposits.

Table 16

GUATEMALA: MONETARY BALANCE

	Balance at end of year (millions of quetzales)				Growth rates (a)		
	1976	1977	1978	1979	1977	1978	1979
<u>Money</u>	483	573	624	692	18.6	8.9	10.9
Currency outside banks	235	283	323	364	20.4	14.1	12.7
Demand deposits	248	290	301	328	16.9	3.8	9.0
<u>Factors of expansion</u>	1 224	1 496	1 675	1 900	22.2	12.0	13.4
Foreign assets (net)	454	628	682	669	38.3	8.6	-1.9
Domestic credit	770	868	993	1 231	12.7	14.4	24.0
Official entities	169	115	58	113	-32.4	-49.6	94.8
Private sector	601	753	935	1 118	25.4	24.2	19.6
<u>Factors of absorption</u>	741	923	1 051	1 208	24.7	13.9	14.9
Quasi-money (savings and time deposits)	642	761	850	927	18.7	11.7	9.1
Other items (net)	99	162	201	281	63.5	24.1	39.8

Source: CEPAL, on the basis of official data.

(a) The growth rates correspond to the real figures, not the rounded ones.

