

## Guatemala

Guatemala's real GDP grew by 3.3% in 2012 compared with 4.1% in 2011 owing to a slowdown in consumption and exports as the United States economy lost momentum amid growing risks and the worsening situation in the eurozone. The year-on-year inflation will be 3.8% at year-end (6.2% in 2011). The Ministry of Finance estimates that the fiscal deficit will stand at 2.2% of GDP (2.8% in 2011). At 11.4% of GDP, the goods and services trade deficit was 0.5 percentage points higher than the figure for the previous year. The balance-of-payments current account deficit edged up, from 3.1% of GDP in 2011 to 3.6% in 2012.

For 2013, the economy is expected to grow by 3.5%, owing to greater domestic investment. The tax burden will reach 11.8% of GDP thanks to fiscal reforms adopted in 2012. The fiscal deficit will stand at 2.5% of GDP. The Bank of Guatemala projects that annual inflation will range between 3% and 5%.

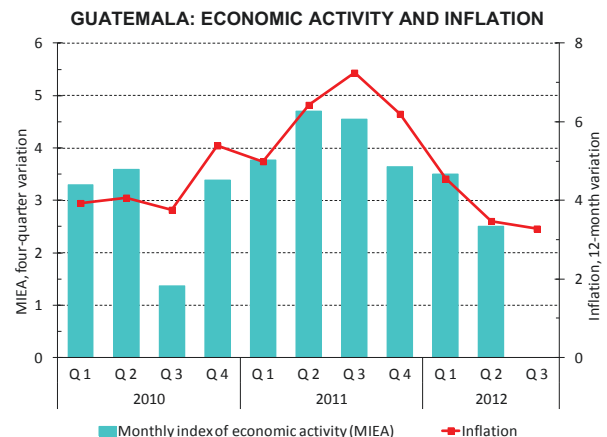
After years of negotiation, congress approved the tax update law in February 2012. While its centrepiece is new income tax legislation, the package includes an initial motor vehicle registration tax, a national customs law, amendments to the value-added tax law and the land vehicle, vessel and aircraft circulation tax law, and adjustments to the law on revenue stamps and stamped paper to bring it into line with value-added tax provisions on the purchase of immovable property. Anti-evasion law II was approved to strengthen tax administration. These measures should generate extraordinary revenue of around 1.5% of GDP during 2012-2015 (0.3% in 2012, 1% in 2013, 0.1% in 2014 and 0.1% in 2015).

Total real central government revenue rose by an estimated 1.6% in 2012, well below the 8.6% increase recorded in 2011, owing to the decline in revenue from foreign trade and the slowdown in domestic economic activity. Total real expenditure dropped by 2.7% (after climbing 4.1% in 2011) as significant budget under-execution led capital expenditure to plummet by 11.9% while current expenditure posted a slight 0.4% increase. The tax burden stood at 10.8% of GDP, slightly below the 11.1% recorded in 2011, bringing the fiscal deficit to 2.2% of GDP. Total central

government public debt stood at 25.3% of GDP, one percentage point more than in 2011, although this figure does not include what is referred to as floating debt.

The general State revenue and expense budget law for fiscal 2013 was approved in October 2012. At 66.985 billion quetzales (equivalent to US\$ 8.555 billion), it is 12.5% more than in 2012 and equivalent to around 15.7% of estimated GDP for 2013.

Moody's, Fitch Ratings and Standard & Poor's will maintain Guatemala's foreign-currency bond ratings at below investment grade (Ba1, BB+ and BB, respectively) with a stable outlook (upgraded this year by Standard & Poor's).



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

The annual monetary-policy interest rate declined slightly and is expected to stand at 5% in nominal terms at year's end, despite persistent uncertainty over the world economy—primarily in the eurozone—and certain inflationary pressures due to rising international oil, corn and wheat prices.

In 2012, monetary aggregates declined between 1% and 9.4% in real terms compared with 2011 due to the slowdown in economic activity and the scale-back of the fiscal stimulus. Average lending and borrowing rates will close 2012 at a positive 9.5% and a negative 1.3%, respectively (as against a positive 7.2% and a negative 1%, respectively, in 2011). Total bank lending climbed by 17% (13.3% in real terms, half of the increase recorded in 2011). The credit portfolio with the highest growth was consumer loans, while the transport portfolio saw the lowest growth.

In August 2012, congress approved reforms of the law on banks and financial groups and the organic law of the Bank of Guatemala, aimed at improving the bank security network, mitigating the risks associated with financial crises and expanding the sources of funding for the Savings Protection Fund (FOPA), which protects savers whose deposits are below 20,000 quetzales (around US\$ 2,564).

The bilateral nominal exchange rate against the dollar appreciated slightly (2.1% in real terms) in 2012. Net international reserves stood at around US\$ 6.9 billion at the end of December, equivalent to almost four and a half months of goods and services imports and 11% more than in 2011.

Real GDP growth, at 3.1% for 2012, was underpinned by the 3.9% uptick in construction (fuelled by greater investment and the streamlining of procedures for obtaining building permits) and the 3.5% rise in financial and commercial services. Agriculture, manufacturing and mining expanded by 3.1%, 2.3% and 2.1%, respectively. On the demand side, export growth slackened, rising by only 1%. Gross fixed investment increased by 3.7%, lower than the 5.4% recorded in 2011. Private investment jumped 7.7%, but public investment slid 13.7%, showing the same trend as the previous year. Growth of total consumption slowed from 4.2% in 2011 to 3.4% in 2012 as a result of slower growth in private consumption (from 4.1% to 2.8%), while public consumption was up by 8.3% against 4.7% in 2011.

The consumer price index rose by 3.8% from December 2011 to December 2012 (within the central bank target of between 3.5% and 5.5%), compared with 6.2% in 2011. The minimum agricultural and non-

#### GUATEMALA: MAIN ECONOMIC INDICATORS

	2010	2011	2012 <sup>a</sup>
<b>Annual growth rates</b>			
Gross domestic product	2.9	3.9	3.3
Per capita gross domestic product	0.4	1.3	0.8
Consumer prices	5.4	6.2	3.3 <sup>b</sup>
Real average wage <sup>c</sup>	2.8	0.4	...
Money (M1)	7.2	9.1	5.5 <sup>d</sup>
Real effective exchange rate <sup>e</sup>	-0.5	-4.0	-2.1 <sup>d</sup>
Terms of trade	-0.5	-0.9	-4.3
<b>Annual average percentages</b>			
Open urban unemployment rate	4.8	3.1	2.7
Central government			
overall balance /GDP	-3.3	-2.8	-2.2
Monetary police rate	4.5	4.9	5.3 <sup>f</sup>
Nominal lending rate <sup>g</sup>	13.3	13.4	13.5 <sup>f</sup>
<b>Millions of dollars</b>			
Exports of goods and services	10 827	12 876	13 081
Imports of goods and services	15 188	17 986	18 809
Current account balance	-626	-1 456	-1 781
Capital and financial balance <sup>h</sup>	1 303	1 661	2 432
Overall balance	677	206	651

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

<sup>a</sup> Estimate.

<sup>b</sup> Twelve-month variation to October 2012.

<sup>c</sup> Average wage declared by workers covered by social security.

<sup>d</sup> Year-on-year average variation, January to October.

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

<sup>f</sup> January-October average.

<sup>g</sup> Weighted average of the system lending rates.

<sup>h</sup> Includes errors and omissions.

agricultural wage was raised by 3% in January 2012; maquila sector wages were raised by 1.3% in real terms. The slowdown in economic activity drove the open unemployment rate up slightly, from 4.1% in 2011 to 4.3% in 2012.

Goods exports increased by a mere 1% compared with 2011, in contrast with the 22.9% surge the previous year. Traditional exports fell by 4%; non-traditional exports increased by 3%. Goods imports expanded by 4.5% (20.1% in 2011). Demand for intermediate goods was weak, growing by 1%. Oil and fuel imports increased by a mere 3.4%, although imports of capital and consumer goods surged 10.8% and 7%, respectively.

Foreign currency inflow from tourism grew by 4.2%, to US\$ 1.407 billion. Income from family remittances was up 8% to stand at US\$ 4.750 billion. The current account deficit reached 3.6% of GDP in 2012. Foreign direct investment inflows climbed by 10% to US\$ 1.083 billion (equivalent to 2.2% of GDP), primarily for telecommunications and energy (hydropower plants) operations. The capital and financial account is projected to post a surplus of US\$ 2.306 billion. The overall balance of payments (including errors and omissions) should therefore show a surplus of US\$ 651 million, US\$ 445 million more than in 2011.