## Guatemala

The GDP of Guatemala grew by an estimated 3.4% in real terms in 2013, up from 3.0% in 2012. The central bank forecasts average annual inflation of 4.2% (compared with 3.8% in 2012), within the target range of 3% to 5%. The fiscal deficit is expected to stand at 2.2% of GDP (compared with 2.4% in 2012), while the balance-of-payments current account deficit will widen to 3.5% of GDP, from 2.9% in 2012.

Total real central government revenue posted 8.8% growth through September 2013, driven by higher tax receipts. Total expenditure swelled by 9.0% in real terms (also through September) due to significant growth in current expenditure (11.3%) and a slight increase in capital expenditure (0.2%). A tax burden of around 12.2% of GDP is expected at year-end 2013 (compared with 11.2% in 2012) as a result of the tax reform adopted in 2012.

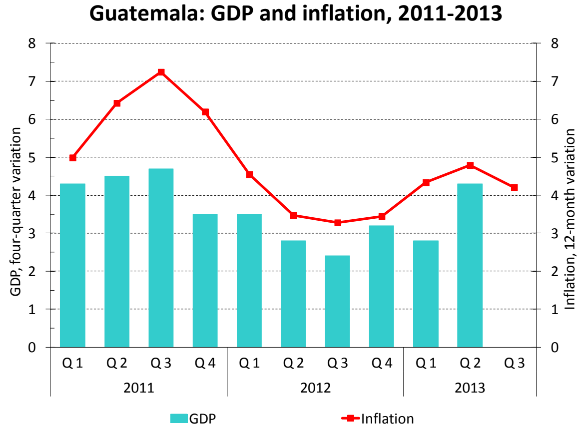
Central government external public debt was about US$ 6.251 billion in September, a 6% increase on the September 2012 figure. Domestic public debt rose by 8.3% in year-on-year terms. The central bank forecasts that total debt will reach 25.7% of GDP at the end of 2013 (one percentage point higher than in 2012).

In June 2012, Congress adopted the Tax Regularization Act (decree 1-2013), which halved road taxes and granted an amnesty for the payment of tax arrears. The Constitutional Court of Guatemala suspended the restriction in the Tax Modernization Act (decree 10-2012) on the importation of vehicles that are more than 10 years old. October saw the adoption of the Act on Institution-building for Transparency and Quality in Public Expenditure (decree 13-2013), a package of changes including reforms to the Organic Budget Act, the Comptroller General’s Office and the Superintendency of Tax Administration (SAT), intended to make better and more transparent use of national public resources.

In April, the Monetary Board raised the benchmark interest rate by 25 basis points to 5.25%, a move designed to keep inflation within the 3% to 5% target range. However, in late October the Monetary Board lowered the benchmark interest rate back to 5% in view of the modest pace of the international economic recovery and the easing of certain inflationary pressures such as international oil, corn and wheat prices.

Bank interest rates increased slightly in 2013. In nominal terms, the deposit rate increased to 5.47% through October (up from 5.4% through October 2012) and the lending rate stood at 13.66% (compared with 13.59% in the year-earlier period). Driven by the consumer credit boom, bank lending to the private sector showed year-on-year growth of 15.7% through October (11.1% in real terms), compared with 16.2% through October 2012 (12% in real terms).

**Guatemala: GDP and inflation, 2011-2013**




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

The bilateral nominal exchange rate was 7.90 quetzales to the dollar at the end of October 2013 (7.81 in October 2012) as the currency depreciated by 1.1% in nominal terms (appreciation of 2.9% in real terms) compared with the same period in 2012. Net international reserves amounted to about US$ 6.658 billion in October, down 2.2% year-on-year, and were equivalent to almost four and a half months of imports.

Exports were up by just 0.2% through September (compared with a downturn of 3.8% recorded in the same period in 2012) thanks to falling export prices in the international market, especially those of raw materials affecting goods such as coffee. Exports of traditional products fell by 1.8% over the period to September, while those of non-traditional products gained 1.1%. Goods imports showed a 4% increase in the same period (as compared with 1% in 2012), mainly owing to an expansion in volume. The goods and services trade balance is therefore likely to post a deficit equivalent to 12.0% of GDP at year-end (compared with 11.5% in 2012), with the current account deficit set to reach around 3.5% of GDP, up from 2.9% in 2012. In late October, the National Customs Act (decree 14-2013) was adopted with a view to boosting competitiveness and control through basic customs legislation including mechanisms and procedures to detect individual administrative violations and define the respective penalties. An amendment to the Tax Modernization Act (decree 10-2012) was adopted as part of this law, exempting retired persons from paying income tax.

**Guatemala: main economic indicators, 2011-2013**

| | 2011 | 2012 | 2013 [a] |
|---|---|---|---|
| | **Annual growth rate** | | |
| Gross domestic product | 4.2 | 3.0 | 3.4 |
| Per capita gross domestic product | 1.7 | 0.5 | 0.9 |
| Consumer prices | 6.2 | 3.4 | 4.2 [b] |
| Real average wage [c] | 0.4 | 4.0 | … |
| Money (M1) | 9.1 | 5.8 | 7.7 [d] |
| Real effective exchange rate [e] | -4.3 | -1.6 | -1.8 [b] |
| Terms of trade | -0.9 | -5.5 | -3.3 |
| | **Annual average percentage** | | |
| Open urban unemployment rate | 3.1 | 4.0 | 3.9 |
| Central government | | | |
| Overall balance / GDP | -2.8 | -2.4 | -2.5 |
| Monetary policy rate | 4.9 | 5.3 | 5.2 [b] |
| Nominal lending rate [f] | 13.4 | 13.5 | 13.6 [b] |
| | **Millions of dollars** | | |
| Exports of goods and services | 12 786 | 12 449 | 12 543 |
| Imports of goods and services | 17 868 | 18 232 | 19 155 |
| Current account balance | -1 599 | -1 447 | -1 673 |
| Capital and financial balance [g] | 1 805 | 1 946 | 1 937 |
| Overall balance | 206 | 499 | 264 |

**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] Weighted average of some lending rates.
[g] Includes errors and omissions.

Remittances from family members working abroad stood at US$ 4.281 billion for the period between January and October 2013, a 6.9% increase over the year-earlier period, maintaining steady, moderate growth as the United States labour market picked up. Foreign direct investment amounted to US$ 677.5 million in the first half of 2013, mainly originating from Canada, Colombia (especially investment in the banking sector), the Russian Federation (with particular investment in mines and quarries), and the United States. It is estimated that foreign direct investment will post growth of about 12% at year-end 2013 (compared with 17.6% in 2012).

ECLAC estimates that Guatemala will return real GDP growth of 3.4% in 2013, supported by vigorous activity in private services (3.1%), commerce (2.5%), agriculture (4.8%) and manufacturing (3.2%). On the demand side, exports, private consumption and private investment are all expected to see growth. GDP expanded by 2.8% in the first quarter (compared with 3.5% in the same period in 2012) and by 4.3% in the second quarter (up from 2.8% in the same period in 2012). The year-on-year consumer price index rose by 4.15% to October, compared with 3.35% in October 2012, fuelled by food and housing costs. Average annual inflation of 4.2% is projected for 2013.

ECLAC anticipates that the economy will grow by 3.5% in 2014, reflecting expectations of a recovery in exports and the continued expansion of domestic demand, mainly driven by private consumption.

The minimum wage rose by 5% in nominal terms from January 2013, while the open unemployment rate edged up to about 3.2% at the end of 2013 (compared with 2.9% in 2012), despite the improvement in economic activity.