GUATEMALA

1. General trends

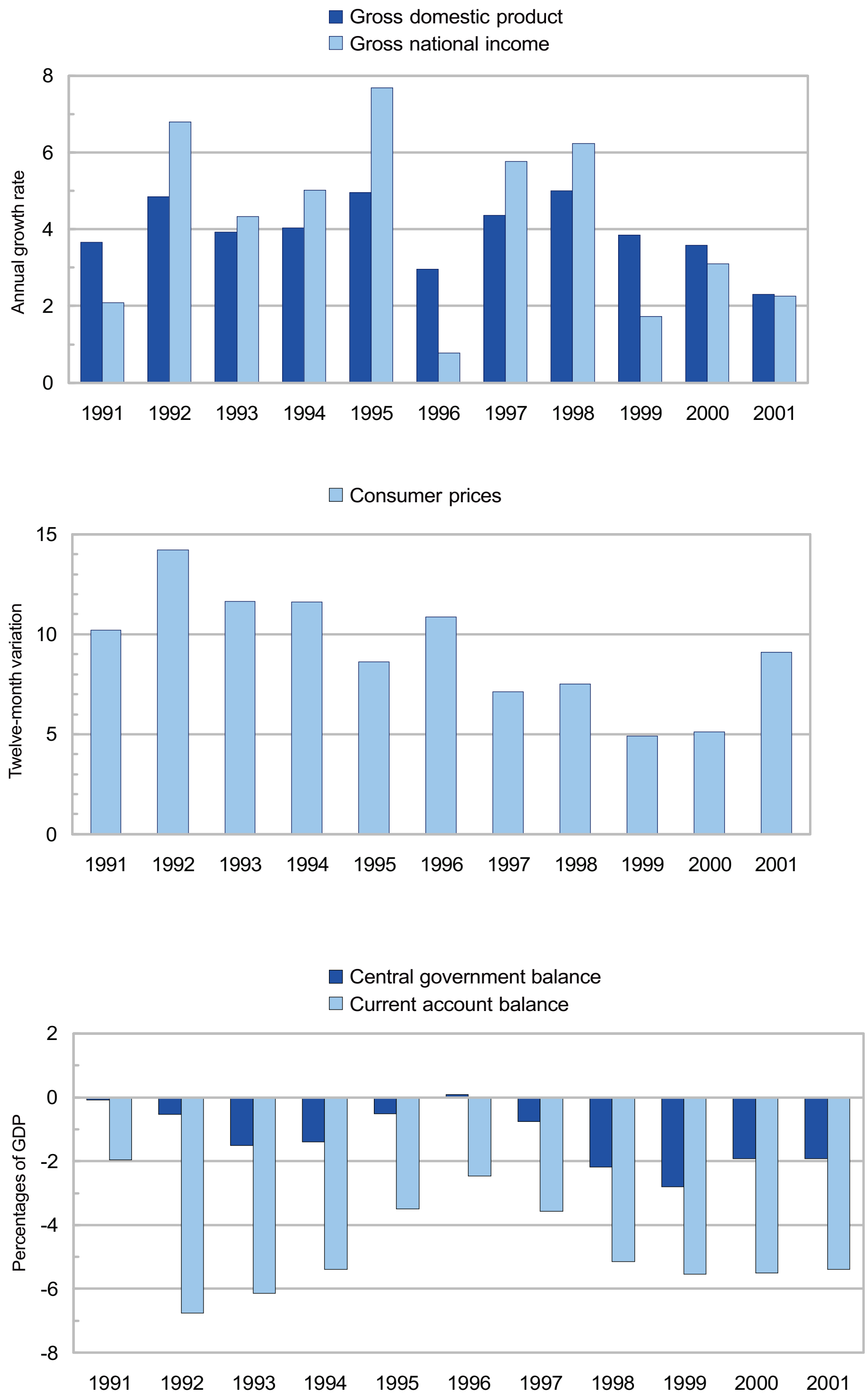
Guatemala's macroeconomic performance flagged in 2001. Productive activity slowed down for the third year in a row, inflation spiked and the fiscal and trade deficits widened. Real GDP grew by 2.3%, compared to 3.6% the year before, and annual inflation reached 9.1%, exceeding by several points both the official target and the rate recorded the previous year. The consolidated public deficit was equivalent to 3% of GDP, which was higher than the 2000 level (2.2%), and both the trade deficit and the balance-of-payments current-account deficit remained high in relation to GDP (9.5% and 5.4%, respectively). The Monetary Board intervened in a number of financial intermediaries that were experiencing worsening solvency problems. In contrast, structural reform made decisive progress on several fronts.

OWING TO THE weakness of the global economy, the deterioration of the terms of trade and the persistence of domestic conflicts outside the economic sphere, the Guatemalan economy lost momentum for the third year running. Per capita GDP shrank by 0.3%. The components of demand most affected included private investment, which dipped by 1.1%, and exports, which remained unchanged. Public spending was the only area that picked up considerably (8.4%).

The structural reforms included the entry into force in March of a free trade agreement with Mexico, Honduras and El Salvador and the consequent elimination of barriers to intraregional trade and investment. In May, the Free Negotiation of Foreign Exchange Act, which authorizes the use of foreign currency in any domestic commercial or financial transaction, came into effect. Lastly, in July, in a move that represents a landmark in the country's recent economic history, the authorities adopted a fiscal reform to strengthen public revenues.

In February 2002, the Guatemala Consultative Group met in Washington. The government undertook a number of commitments to the international community at that meeting, including a commitment to step up the implementation of the 1996 Peace Agreements and, in the economic field, to use public resources transparently and rationally, promote a process of national consultation on the poverty reduction strategy and stimulate economic recovery while keeping prices stable. Two months later an agreement was signed with the International Monetary Fund (IMF), valid for 12 months, which released an amount of 84 million special drawing rights (US$ 105 million) to support the 2002 macroeconomic programme. The programme's main targets are a 2.3% increase in real GDP, annual inflation of 4% to 6% and a severe cutback in public spending to reduce the consolidated fiscal deficit by half as a percentage of GDP (to 1.5%), while maintaining social spending at not less than 5% of GDP. The agreement, in turn, provides access to Inter-American Development Bank and World Bank resources to support efforts to modernize the financial system and carry out the poverty reduction strategy.

Figure 1
GUATEMALA: MAIN ECONOMIC INDICATORS



Source: ECLAC, on the basis of official figures.

2. Macroeconomic policy

(a) Fiscal policy

In the second half of 2001 the authorities adopted a tax reform package that included changes to the Penal Code and the Tax Code to broaden coercive powers and strengthen the capacity to prosecute cases of tax evasion, and also included an increase in the value added tax from 10% to 12%. Business enterprise taxes, motor vehicle taxes and taxes on diesel fuel, cigarettes and liquor and other beverages were raised. The tax on the distribution of crude oil and derivatives was dollarized, and oversight by the Office of the Superintendent of Tax Administration was enhanced. Some customs offices were modernized through the automation of systems for tracking the payment of tariffs.

The reform breathed new life into the commitments made under the Fiscal Covenant, which was based on the Peace Agreements signed in 1996. Its impact was very limited in 2001, but will become more apparent in the coming fiscal years as the effects of the new tax rates and the reduction in tax evasion are felt. Accordingly, in 2001, the tax burden remained below 10%, which was similar to the level recorded 12 months earlier and far from the recommended 12%. This, together with difficulties in effectively reining in public spending, resulted in a consolidated fiscal deficit equivalent to 3% of GDP, compared to 2.2% in 2000. The central government deficit, meanwhile, amounted to 1.9% of GDP, equalling its 2000 level (1.9%). In November the government placed US$ 325 million in bonds abroad in order to convert short-term domestic debt into long-term external debt. By the end of December, the proportion of the central government deficit financed with domestic resources had fallen from 33% to 20%.

There was a huge increase in public spending in the first few months of 2001 owing to the need to cover obligations carried over from the previous year. This rising trend became more pronounced as further outlays were made to mitigate the adverse effects of the drought and of the fall in international coffee prices. The intensive participation of the Bank of Guatemala in open-market operations continued to expand the quasi-fiscal deficit (0.8% of GDP). It is estimated that these factors increased the consolidated fiscal deficit by 1.2% of GDP. As in 2000, public spending was rolled back in the last few months to curb the deterioration of the fiscal account.

In 2001, the central government's total outlays rose by 16.6% in nominal terms, far exceeding the previous year's increase of 1.7%. Among the areas with the highest increases was current expenditure (19.3%) and, within this category, interest payments (25.2%) and procurement of goods and services (26.3%). Capital expenditure rose by 10.2%, making up for its 22.5% slide in 2000. Social expenditure was up by 20%, which is equivalent to 5.5% of GDP. This category included the items of basic health care, education and assistance to soften the impact of the drought and the coffee crisis. In the second half of the year the authorities approved the creation of a US$ 100-million trust fund to assist the coffee growers. At year's end, however, it had not yet been fully implemented.

In 2002 the National Public Investment System went into operation, with the aim of promoting more efficient programming and execution of government investment projects. The authorities also launched a poverty reduction strategy targeting the most vulnerable municipalities.

The central government's total income rose by 17% in nominal terms, compared to 10% the previous year, which represents an increase even in real terms. The faster growth is attributable to the jump in non-tax revenues (55%), as tax revenues –both direct and indirect– rose at almost the same rate as they had the year before. With regard to non-tax revenues, the most notable development was the much higher level of returns on capital, which more than tripled (259.9%) because of the greater weight of taxes on assets. The only fast-growing areas of tax collection in 2001 were the personal income tax (108.7%) and taxes on alcoholic beverages (25.3%) and oil consumption (16.6%), which reflected rate increases for these taxes. It should be noted that corporate income tax receipts grew by only 10.8%, compared to 13.6% in 2000, because of lower profits.

The fiscal targets for 2002 agreed upon with IMF include an increase in the tax burden, the reduction of total central government spending by one point of GDP -while ensuring a floor level of social spending equivalent to 5% of GDP - and the halving of the fiscal deficit (to 1.5% of GDP). The decision of the Ministry of Public Finance published in the Official Gazette in February 2002 is a good sign, as it limits the scope for expanding the approved public budget and making transfers between items of expenditure.

Table 1
GUATEMALA: MAIN ECONOMIC INDICATORS

	1993	1994	1995	1996	1997	1998	1999	2000	2001[a]
				Annual growth rates [b]					
Growth and investment									
Gross domestic product	3.9	4.0	4.9	3.0	4.4	5.0	3.8	3.6	2.3
Per capita gross domestic product	1.2	1.3	2.2	0.3	1.6	2.2	1.1	0.9	-0.3
Gross domestic product, by sector									
Goods	2.2	2.5	3.8	2.6	3.5	4.2	2.5	0.9	-0.7
Agriculture	2.2	2.4	3.5	2.6	2.9	3.7	2.1	2.6	1.2
Mining	10.8	3.8	14.5	23.4	24.6	21.0	-1.9	-8.5	0.4
Manufacturing	2.9	3.0	3.2	1.9	2.7	3.6	2.5	1.9	1.4
Construction	-3.0	-0.3	8.9	3.1	10.0	9.3	7.8	-18.3	-38.0
Basic services	6.0	4.5	7.9	4.2	8.2	7.1	7.9	10.3	4.8
Electricity, gas and water	9.7	5.7	8.6	6.0	14.7	5.8	11.0	17.4	0.9
Transport, storage and communications	4.8	4.2	7.6	3.6	5.9	7.5	6.8	7.5	6.4
Other services	5.0	5.3	5.3	3.0	4.2	5.1	3.9	4.0	2.8
Commerce, restaurants and hotels	4.1	5.7	6.0	2.7	3.7	5.3	3.2	4.2	1.5
Financial establishments, insurance, real estate and business services	5.1	5.0	6.9	4.4	4.7	5.9	4.6	3.0	2.6
Consumption	4.5	4.7	4.8	2.5	4.2	5.1	3.7	4.2	3.1
General government	8.0	3.0	1.3	0.0	6.2	9.7	5.2	10.1	8.1
Private	4.1	4.8	5.2	2.8	4.0	4.6	3.6	3.5	2.5
Gross domestic investment	-5.7	1.5	-1.2	-15.0	20.1	36.3	-0.4	2.6	-2.6
Exports of goods and services	9.6	3.4	12.6	8.7	8.1	2.4	4.6	3.9	0.0
Imports of goods and services	4.2	5.0	7.6	-6.9	19.5	24.5	0.7	6.1	0.2
				Percentages of GDP [c]					
Gross national income	99.3	100.2	102.8	100.6	101.9	103.0	100.9	100.6	101.0
Gross domestic investment	16.4	16.1	15.1	12.3	14.3	18.9	18.1	18.3	17.5
National saving	10.7	10.7	11.6	9.7	10.1	12.4	11.7	12.2	11.0
External saving	5.7	5.4	3.5	2.6	4.3	6.5	6.4	6.1	6.6
				Percentages					
Employment and wages									
Open unemployment rate [d]	2.6	3.5	3.9	5.2	5.1	3.8	...	...	...
Real average wage (index: 1995=100)	88.8	89.3	100.0	109.7	112.7	116.8	123.5	128.2	128.9
				Growth rates					
Prices (December-December)									
Consumer prices nationwide	11.6	11.6	8.6	10.9	7.1	7.5	4.9	5.1	9.1
External sector									
Terms of trade (index: 1995=100) [c]	84.3	89.9	100.0	87.7	94.8	94.3	87.2	84.7	81.2
Nominal bank exchange rate (quetzales per dollar)	5.6	5.8	5.8	6.0	6.1	6.4	7.4	7.8	7.9
Real effective exchange rate for imports (index: 1995=100)	112.5	106.7	100.0	96.4	91.3	91.8	105.0	107.8	104.6
				Millions of dollars					
Balance of payments									
Current account	-702	-700	-511	-391	-635	-997	-1,015	-1,049	-1,110
Trade balance (goods and services)	-947	-938	-920	-767	-1,008	-1,563	-1,549	-1,708	-1,945
Exports	2,024	2,287	2,801	2,767	3,180	3,467	3,435	3,860	3,815
Imports	1,798	1,893	2,344	2,227	2,897	3,482	3,378	3,916	3,963
Capital and financial accounts [e]	901	694	354	567	922	1,240	890	1,703	1,584
Overall balance	200	-6	-157	176	287	243	-125	654	474
Variation in reserve assets (- indicates an increase)	-121	-47	157	-176	-315	-243	125	-654	-474

Table 1 (concluded)

	1993	1994	1995	1996	1997	1998	1999	2000	2001[a]
					Percentages				
External debt									
Gross debt (as a percentage of GDP)	20.6	22.3	20.1	19.2	18.0	18.7	20.9	20.6	20.0
Net interest									
(as a percentage of exports) [f]	4.9	4.2	3.4	4.8	3.5	1.5	2.2	1.3	…
					Percentages of GDP				
Central government									
Current income	9.1	7.7	8.8	9.4	9.8	10.2	10.9	10.8	10.9
Current expenditure	7.5	6.9	6.7	6.7	6.7	7.9	8.6	9.1	9.5
Saving	1.5	0.8	2.1	2.7	3.1	2.3	2.2	1.6	1.4
Capital expenditure	3.1	2.3	2.7	2.7	3.9	4.5	5.2	3.6	3.7
Financial balance	-1.5	-1.4	-0.5	0.0	-0.8	-2.2	-2.8	-1.9	-1.9
					Growth rates				
Money and credit									
Monetary balance of banking system	19.2	-1.4	-26.5	22.0	48.6	33.1	7.4	56.6	42.6
Net international reserves	5.8	31.9	25.2	13.6	20.7	8.5	8.2	9.3	7.7
Net domestic credit	-34.4	-67.1	-59.9	189.7	...	...	...	...	...
To public sector	15.3	15.8	30.5	11.5	17.8	27.7	15.9	9.5	14.0
To private sector	21.1	48.7	11.4	8.6	30.1	13.9	13.3	21.4	12.6
Money (M1)									
Local currency savings and	3.4	9.5	16.9	18.9	21.2	11.7	4.3	16.5	11.1
time deposits	9.0	23.3	14.6	14.7	24.7	12.6	8.0	18.6	11.7
M2									
					Annual rates				
Real interest rate (annualized, %)									
Deposit rate	-0.6	-2.5	-0.7	-3.0	-3.4	-1.3	2.6	4.0	1.6
Lending rate	10.1	9.3	11.7	10.5	8.8	9.1	13.6	14.1	11.1
Equivalent interest rate									
in foreign currency [g]	12.5	9.7	6.8	7.7	6.3	5.3	7.8	10.2	9.0

Source: ECLAC, on the basis of official figures.
[a] Preliminary figures. [b] Based on constant 1958 quetzales. [c] Based on constant 1995 dollars. [d] Percentages of the economically active population. [e] Includes errors and omissions. [f] Refers to net interest as shown in the balance of payments, divided by exports of goods and services. [g] Interest rate on deposits, deflated by the variation in the exchange rate.

(b) Monetary policy

The containment of inflation, in the context of a stable monetary and foreign-exchange market, remained the prime objective of monetary policy. In addition, initial steps were taken to modernize the legal framework for monetary policy and financial supervision. For the first time in years, the Office of the Superintendent intervened in three banks and two financial entities. Four legislative proposals were sent to Congress: the Banks and Financial Groups Act, the Bank of Guatemala Organization Act, the Financial Supervision Act and the Monetary Act. These initiatives are intended to strengthen central bank autonomy, the power to impose penalties and conduct financial supervision, and regulations on capital mobility and financial intermediation. The first law was adopted by Congress on 31 January 2002, and the other initiatives should be approved in the course of the year.

Monetary policy continued to rely on the active participation of the Bank of Guatemala in open-market operations, with the aim of containing the expansionary effects on domestic credit of the increase in reserves, the widening of the fiscal deficit and the impact of the return of deposits to savers in the banks in which the authorities had intervened. Over the 12-month period, the balance of securities placed in open-market operations was 11.012 billion quetzales, which was 28% higher than the previous year's figure. Given the robust demand on the part of local banks, the larger supply of these securities was accompanied by a lowering of local interest rates in both nominal and real terms. In December, the real lending rate stood at 10.9% and the deposit rate, at 1.4%, approximately four points lower than the 2000 rates. The wide spreads reflect the shallowness of the local financial market.

Monetary indicators show that liquidity, as

Table 2
GUATEMALA: MAIN QUARTERLY INDICATORS

	1999				2000				2001 [a]				2002 [a]
	I	II	III	IV	I	II	III	IV	I	II	III	IV	I
Economic activity index (change from same quarter of preceding year)	4.0	2.5	2.3	3.1	4.4	4.8	4.0	2.8	1.5	0.7	...	...	...
Consumer prices (12-month variation, %)	3.9	4.3	6.8	4.9	8.3	7.2	4.3	5.1	5.8	6.7	9.4	9.1	8.9
Exports (millions of dollars)	684	695	546	535	734	738	642	583	597	417	...	...	591
Imports (millions of dollars)	1,153	1,025	1,117	1,266	1,155	1,303	1,170	1,257	955	555	...	...	1,412
International reserves (millions of dollars)	1,220	1,219	1,140	1,189	1,348	1,652	1,757	1,746	1,765	1,763	1,744	2,292	2,188
Real effective exchange rate [b] (index: 1995=100)	99.4	104.0	107.7	109.0	108.8	106.5	108.4	107.5	104.7	104.7	104.2	104.7	100.2
Real interest rates (annualized, %)													
Deposit rate	1.6	3.3	2.0	3.6	3.2	2.3	4.9	5.5	3.4	2.9	-0.3	-1.6	-7.0
Lending rate	13.0	14.6	12.9	13.9	13.7	12.4	14.9	15.2	12.8	12.3	9.4	7.8	1.6

Source: ECLAC, on the basis of official figures.
[a] Preliminary figures. [b] Refers to exchange rate for imports.

measured by M1 (M2), increased by 12.6% (11.7%), or much less than in the year-earlier period (21.4% and 18.6%, respectively). This weaker momentum is significant in view of the above-mentioned expansionary factors for monetary liquidity. This development is explained in part by the 50% increase in the funds deposited by the central government and public institutions (banks and financial entities) in the Bank of Guatemala, which reversed the downward trend of the past two years. Two factors that contributed to the increase were the US$ 325 million obtained from the placement of treasury bonds abroad and the US$ 452 million (US$ 350 million in principal and US$ 101.8 million in interest) received as the third and final payment for the privatization of the telephone company.

Domestic credit to the private sector grew by 14% in nominal terms during the year. This rate of annual growth –of close to 5% in real terms– was too weak to alleviate the credit squeeze, and was due in part to the economic slowdown and the erosion of investment expectations. In addition, however, the banking system's preference for acquiring government securities no doubt limits its capacity to supply credit to the private sector. The problem is further compounded by high lending rates and the persistence of non-performing loans. The Monetary Board's intervention in various financial intermediaries and the forthcoming adoption of the pending financial reform laws represent significant progress in cleaning up the financial system, which will help reinvigorate its intermediation functions.

(c) Foreign-exchange policy

On 1 May the Free Negotiation of Foreign Exchange Act entered into force, authorizing the use of foreign currency in any commercial or financial transaction and also in taking deposits and issuing financial securities. This law relieves the Bank of Guatemala of the obligation to hold all foreign exchange, and will help draw off some of the funds held by offshore branches. It is worth noting that the authorities have repeatedly and explicitly stated that, the Act notwithstanding, the floating exchange-rate policy will be maintained, together with occasional intervention by the Bank of Guatemala.

The quetzal's value in relation to the dollar held steady for the first eight months of the year, but then, under the pressures generated by the events of 11 September and the worsening of the international recession, this value began to slip. At the end of December 2001 the exchange rate was 7.98 quetzales to the dollar, having accumulated a nominal year-on-year depreciation rate of 3.2%. Given the inflation differential between Guatemala and the United States, in real terms the quetzal appreciated by 2%. While this may not seem significant, a number of export sectors are pressing for corrective action to strengthen international competitiveness.

(d) Structural reforms

With regard to structural reforms, in addition to the implementation of the Free Negotiation of Foreign Exchange Act, the progress made in fiscal reform and the financial reform initiatives currently under way, as described above, a free trade agreement between Mexico and the Northern Triangle countries (El Salvador, Guatemala and Honduras) entered into force on 15 March 2001. The aim of the agreement is to gradually eliminate tariff and non-tariff barriers to trade and facilitate intraregional investment. The treaty has conspicuous limitations, as it excludes trade in sugar, coffee and bananas, which are some of Guatemala's key exports. Although the treaty opened up interesting opportunities, Mexico's economic recession prevented the parties from taking full advantage of them in 2001. In addition, labour laws were reformed to strengthen the power of the Ministry of Labour and Social Security to impose economic sanctions for violations of the Labour Act.

3. The main variables

(a) Economic activity

Because of the continuing conflict between certain business groups and the government, the deterioration in the terms of trade and the drop in external demand, the country's economy was unable to break free of the sinking trend it has followed since 1999. Private investment shrank (-1.1%) and exports stagnated. The only growth factors were public investment (9.5%) and general government consumption (8.1%). Had it not been for this countercyclical behaviour on the part of public spending, the Guatemalan economy might have suffered a sharp downturn.

Goods production was especially listless, increasing by scarcely 0.8%. Agriculture, beset by the unfavourable trend of external demand and the effects of the drought, grew by 1.2%, achieving less than half the rate recorded the preceding year. The cutback in coffee production was particularly acute (-11%), and maize production slipped (-1.3%), but there was positive growth in the production of bananas (7.5%), sugar cane (5.8%), beans (2.5%) and cardamom (1.0%).

The downturn in private investment was one of the factors behind the slump in construction (-7.6%). Meanwhile, manufacturing output increased slightly (1.4%), reflecting the weakness of demand both domestically and in the maquila industry. Textile production rose by 1.0% and clothing and footwear, by 0.6%; the leather industry contracted (-1.6%), as did the tobacco industry (-1.8%). Another area affected was the beverage sector (0.9%).

Services performed relatively better, though they also lost some of their previous momentum. Production in basic services grew by 4.8% over the year (10.3% in 2000), with transport and communications posting the strongest results (6.4%), while the level of electricity, gas and water services stayed virtually unchanged (1.0%). Production in the remaining services rose by 2.8% (4.0% in 2000) and showed uneven results at further levels of disaggregation. Commerce grew by 1.5%, compared to 4.2% in 2000, reflecting the slackened pace of economic activity and imports. The financial sector expanded by 2.6%, but is still in the midst of an unfinished restructuring and clean-up process. Meanwhile, as a result of increased public spending, community, social and personal services rose by 5.3%, improving on their performance in 2000 (4.5%).

(b) Prices, wages and employment

At the end of December, the variation in the consumer price index was 8.9%, which was several points above its 2000 rate and higher than the target set in the government programme. The inflationary upsurge was due to a number of factors, such as the depreciation of the nominal exchange rate, the rise in the price of certain food items owing to the drought and the increase in various taxes (especially the value added tax). The expansion of monetary liquidity –which once again grew faster than the supply of goods and services– may have contributed to this outcome. It is also possible that wage increases may have affected prices in some sectors. In 2001, nominal minimum wages increased by an average of 16.2% in non-agricultural activities and 15.9% in agriculture. Taking annual inflation into account (8.9%), the real wage increase was close to 7% in both sectors, which confirms the upward trend in minimum wages over the past several years. In addition, in December nominal wage increases of 9% and 8% were approved for non-agricultural and agricultural activities, respectively, as from January 2002.

The lack of updated information makes it impossible to give a precise assessment of employment trends in 2001. However, ECLAC estimates indicate that the crisis in the coffee industry caused the direct loss of 77,000 jobs, representing 15% of employment in that sector. In view of the severity of this decline, which was aggravated by the effects of the drought, emergency assistance was sought from the World Food Programme and the Inter-American Development Agency.

Given the sharp contraction in external markets, it is safe to assume that employment in non-traditional crop production declined. Likewise, the steep drop in construction for the second year running and the loss of momentum in maquila activity clearly made urban unemployment and underemployment more acute.

(c) The external sector

In 2001, despite the slackening economic growth rate, the trade deficit increased for the fifth year in a row, both in nominal terms and in relation to GDP. The balance (-US$ 1.945 billion) was equivalent to 9.5% of GDP, half a point higher than the 2000 level and more than double the 1996 level. The increase in 2001 was due to the drop in the total value of exports (-3.4%), combined with a moderate rise in imports (2.5%).

In contrast to the excellent performance of exports to Central America, which surged by 30% in the course of the year, probably boosted by the new free trade agreement, exports to the rest of the world fell off sharply (-19%). This was due to the slowdown in maquila sales (8% compared to 29.9% the year before) and the downturn, for the first time in a decade, in non-traditional exports (-30.6%). Within this category, oil sales were down by 18.7% and non-oil sales, by 33.2%. Traditional exports also contracted (-10.8%), since rising exports of sugar (44.5%), bananas (7.2%) and cardamom (28.8%) failed to offset the slump in external coffee sales (-39.8%), as international coffee prices hit an all-time low.

The increase in imports reflected the higher oil bill, the inflow of agricultural products to supplement the meagre national supply and enhanced import accounting due to the modernization of some customs offices. It may also have resulted in part from the effect of advance purchases of durable consumer goods in response to expectations of a further nominal depreciation of the local currency. External purchases of capital goods diminished by 11.6% owing to the poor performance of private capital formation.

As in previous years, the deterioration in the trade balance was partially offset by inflows of international remittances, which rose by 10% to reach US$ 1.003 billion. Even so, notwithstanding a slight reduction in the net balance of external income, the current-account deficit continued to trend upward. For the fourth year in a row it was equivalent to over 5% of GDP. This deficit was financed easily, thanks to the receipt of US$ 450 million as the third and final payment for the privatization of the telephone company, the successful US$ 325-million bond issue and the inflow of short-term capital. In fact, these flows enabled the country to accumulate US$ 474 million in international reserves.

At the end of 2001, the public sector's external debt stood at US$ 2.799 billion. Debt servicing amounted to US$ 312.9 million, two thirds of which consisted of principal payments equivalent to 8.2% of total exports, compared to 6.5% in 2000. This increase reflected a strategy of restructuring government debt in order to minimize interest payments. This strategy will be of benefit only if declining international interest rates and a stable exchange rate are maintained.

While the external debt situation is not yet a cause for concern, the high trade and current-account deficits clearly show that the achievement of sustained high economic growth hinges on the availability of foreign currency. Thus, the basic challenge in this regard is to revive investment and to direct it towards both diversifying and broadening the export sector and strengthening its links with the rest of the local production base. Otherwise, the Guatemalan economy's capacity to generate value added, and thus to create jobs, will remain severely limited.