Guatemala

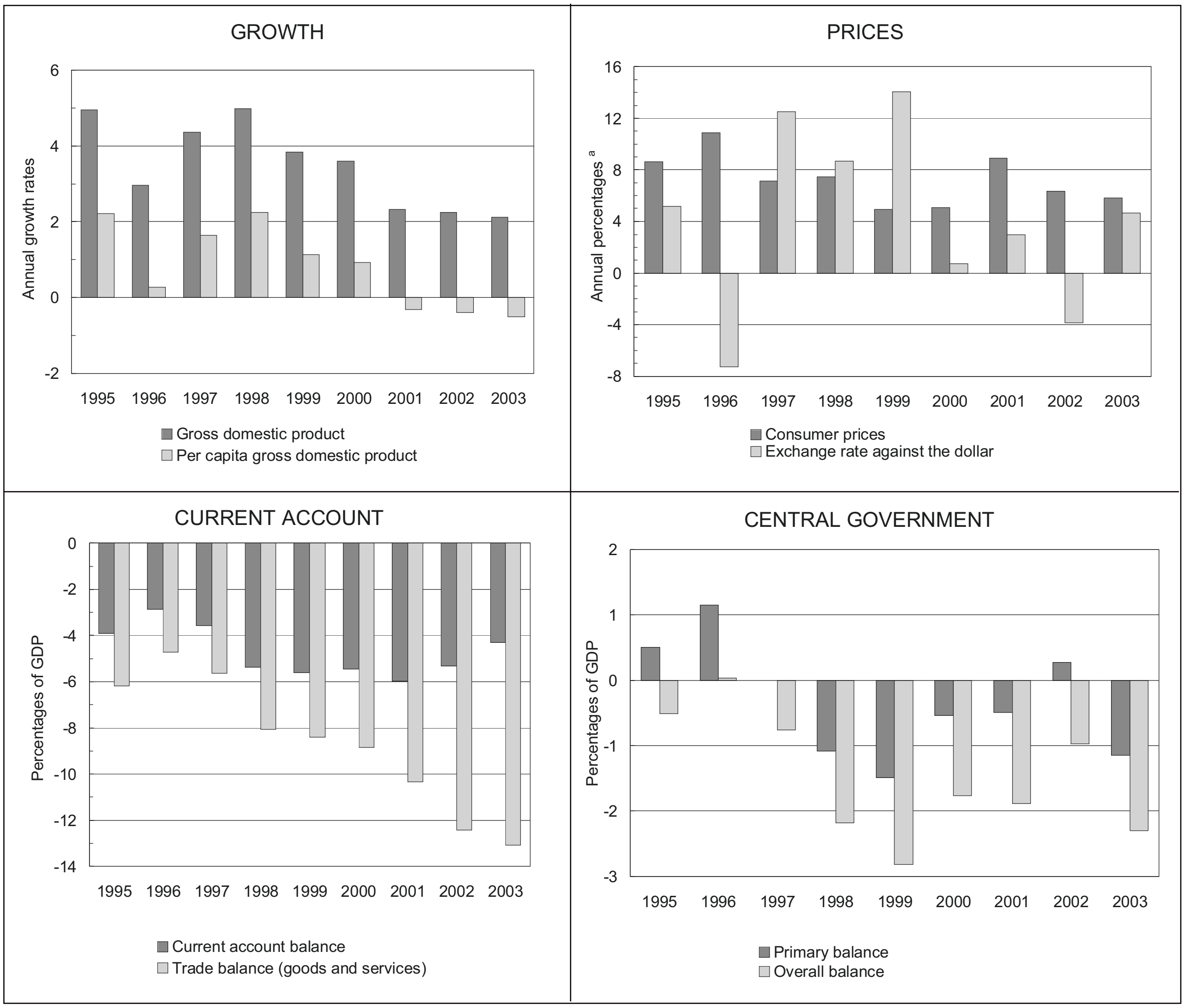
1. General trends

President Oscar Berger's inauguration in January 2004 marked the end of the previous administration, which had made progress in coordinating fiscal and monetary policy during its four-year term. In the course of that period, economic activity had lost momentum, however, against a backdrop of ongoing disputes between the government and certain business groups. In 2003 annual inflation was 5.9% and the central government deficit was 2.3% of GDP, but the economy grew by just 2.1% and investment contracted. The tax burden was reduced by the temporary suspension of duties on alcoholic beverages and on petroleum and petroleum products.

The new administration is backed by major business groups, and this has given rise to expectations of higher economic growth in 2004-2005. This prospect has been strengthened by the conclusion of negotiations on the United States-Central America Free Trade Agreement (CAFTA), the dynamism of the United States economy and the decision to remove Guatemala, as of July 2004, from the list of countries that are not cooperating sufficiently with efforts to combat money laundering. Official sources estimate GDP growth at 2.6% for 2004 based on the continued strength of consumption (3.6%) and conservative trends in fixed investment (2.7%), exports (1.9%) and imports (3%). ECLAC estimates put the growth rate at about 3%, assuming that exports remain as robust as they were in 2003 (4.6%) and investment rises by at least 3%, even if import growth is higher (6%).

To deal with the fiscal crisis, the new administration slashed public spending in the first half of 2004 and passed a package of fiscal measures. This will temporarily ease budgetary constraints, but will also introduce elements that will weaken overall demand. These measures' ultimate effect on economic growth in 2004 is still uncertain and will largely depend on how private investment reacts. A number of distortions exist that must be corrected without delay if stable, sustained growth is to be achieved. The upward trend of the trade deficit should be checked, since it creates a dependence on highly volatile short-term capital flows. In addition, the State needs to strengthen its revenue-raising capacity and to use resources more efficiently if it is to modernize the country's infrastructure and meet the basic needs of those living in poverty.

Figure 1
GUATEMALA: MAIN ECONOMIC INDICATORS



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] December-December variation.

2. Economic policy

Macroeconomic policy in 2003 was influenced by the country's special drawing rights agreement with the International Monetary Fund (IMF), which expired on 31 March 2003 and was then renewed for nine months starting in June. The targets for inflation (4%-6%), the fiscal deficit (2.3%) and an increase in international reserves were all met. The economy continued to slow, however, and the decision, as mentioned earlier, to suspend the collection of certain taxes threatened to trigger a fiscal crisis in 2004. The administration of President Berger has set out to correct this situation as a matter of urgency. Its macroeconomic strategy includes strict targets for 2004 which include keeping annual inflation down to between 4% and 6% and holding the fiscal deficit to 2% of GDP. To this end, public spending is being cut back sharply and a restrictive monetary policy is being applied. In June, Congress passed a tax and financing package that entered into effect on 1 July 2004. This package eliminates the budget shortfall, with an anticipated fiscal deficit of no more than 2% of GDP.

(a) Fiscal policy

The high level of transfers and the drop in tax receipts seen in 2003, which were not offset by the reductions in physical investment and current expenditure, translated into an expansionary fiscal policy stance. The largest central government transfers went to pay for the demobilization of members of the army and the Presidential General Staff, compensation for former members of civil patrols (the Patrullas de Autodefensa Civil (PAC)) and capitalization of the Savings Protection Fund (FOPA) and the Banco Hipotecario Nacional, the national mortgage bank. The decrease in the current surplus (0.6% of GDP), combined with a higher level of capital expenditure (0.7% of GDP), raised the fiscal deficit to 2.3% of GDP (versus 1% in 2002). Some 60% of this deficit was financed with external resources, and the public-sector external debt therefore rose to US$ 3.397 billion (13.8% of GDP). Current spending climbed by 11.7%, more than twice as much as revenue (5%). The steep increase in capital expenditure (28.5%) was a reflection of higher transfers (50%), since investment slumped (-14%).

At 10.3% of GDP (0.3% less than in 2002), the size of the tax burden was influenced by Constitutional Court rulings which suspended the application of the Mercantile and Agricultural Enterprise Tax (IEMA) and the taxes on the distribution of beer and alcoholic beverages and on petroleum and petroleum products. Receipts in these categories fell by between 5% and 15% in real terms. It was estimated that, had these conditions continued, the 2004 fiscal deficit would have been over 4% of GDP. At that point, however, the administration of President Berger instituted a 20% across-the-board cut in the current expenditures of public-sector bodies and set up the Technical Commission on the Fiscal Covenant (CTPF) to propose urgent fiscal reforms. In June 2004 Congress passed an amended form of the proposal, which entered into force in July.

The most significant initiative has been the income tax reform, which does not apply to dependent workers. In the case of companies, a number of exemptions were eliminated and two corporate tax options were offered: a 5% taxation rate on gross receipts, or a 31% tax on profits. Other changes included the creation of a temporary emergency tax to support the peace agreements (IETAAP), which, like the earlier IEMA, applies to net sales at a rate of 2.5% and is to be gradually reduced over the following two years; the reintroduction of a tax on alcoholic beverages; and approval to issue 4.4 billion quetzals in treasury bonds, with most of these borrowings to be used for social investment. The country will have to monitor the effects of these changes and, where necessary, correct any regressive aspects that they may introduce in income distribution.

(b) Monetary policy

In the interests of price stability, the central bank became heavily involved in open market operations in order to restrain the growth of monetary liquidity, which was fuelled, in particular, by the authorities' looser fiscal policy. The value of outstanding securities issued for purposes of monetary regulation increased by 30% (compared to 1.3% in 2002) and their average annual yield dropped from 7.9% to 5.65%. Despite the central bank's intervention, as of December 2003 the year-on-year increase in the money supply amounted to 19.2% (more than double the 2002 figure), while M1 and M2 rose by 20.5% and 10.8%, respectively. The factors accounting for these high growth rates, particularly since mid-2003, include the country's heftier fiscal deficit and a voluminous flow of remittances and of certain categories of external capital.

The balance of public-sector deposits at the central bank rose by 20% during 2003. Between January and June 2004, such deposits swelled by 1.192 billion quetzals, an amount almost equal to the increase for all of 2003. Bank lending to the private sector expanded by 10.3% in nominal terms; foreign-currency lending rose by 20.9% and local-currency lending by 7.2%. Quetzal-denominated time deposits remained almost unchanged (2.9%). Dollar-denominated deposits jumped by 48.8%, however, and, as a result, by year's end they accounted for 15.2% of total time deposits. The slow growth in lending to the private sector reflected both a preference among banks for investing in government securities rather than in higher-risk production activities and sluggish credit demand owing to the uncertainty surrounding the presidential elections and a worsening investment climate.

To constrain the growth of liquidity, the Banco de Guatemala raised the annual interest rate on its 28-day certificates of deposit several times during 2003. Thus, from a low of 2.75% in July 2003, this rate had been raised to 4.5% by the end of the year. After three more rate hikes in the first half of 2004, it reached 5.625% in

Table 1
GUATEMALA: MAIN ECONOMIC INDICATORS

	1995	1996	1997	1998	1999	2000	2001	2002	2003 [a]
	Annual growth rates [b]								
Gross domestic product	4.9	3.0	4.4	5.0	3.8	3.6	2.3	2.2	2.1
Per capita gross domestic product	2.2	0.3	1.6	2.2	1.1	0.9	-0.3	-0.4	-0.5
Gross domestic product, by sector									
Agriculture, livestock, hunting, forestry and fishing	3.5	2.6	2.9	3.7	2.1	2.6	1.2	1.8	3.1
Mining	14.5	23.4	24.6	21.0	-1.9	-8.5	0.8	9.8	2.7
Manufacturing	3.2	1.9	2.7	3.6	2.5	1.9	1.1	0.8	0.6
Electricity, gas and water	8.6	6.0	14.7	5.8	11.0	17.4	-3.0	9.1	4.0
Construction	8.9	3.1	10.0	9.3	7.8	-18.3	12.2	-15.3	0.1
Wholesale and retail commerce, restaurants and hotels	6.0	2.7	3.7	5.3	3.2	4.1	2.7	2.8	2.1
Transport, storage and communications	7.6	3.6	5.9	7.5	6.8	7.6	6.8	5.7	5.4
Financial institutions, insurance, real estate and business services	6.9	4.4	4.7	5.9	4.6	3.1	0.3	2.2	2.2
Community, social and personal services	2.7	2.4	4.7	4.1	4.7	4.6	3.5	1.2	-1.0
Gross domestic product, by type of expenditure									
Consumption	4.8	2.5	4.2	5.1	3.7	4.2	4.0	3.0	3.2
General government	1.3	0.0	6.2	9.7	5.2	10.4	5.4	-2.1	-2.1
Private	5.2	2.8	4.0	4.6	3.6	3.5	3.8	3.6	3.8
Gross domestic investment	-1.2	-15.0	20.1	36.3	-0.4	2.5	6.4	14.3	-8.6
Exports (goods and services)	12.6	8.7	8.1	2.4	4.6	3.8	-4.0	-6.7	4.6
Imports (goods and services)	7.6	-6.9	19.5	24.5	0.7	6.0	6.9	6.6	0.6
	Percentages of GDP								
Investment and saving [c]									
Gross domestic investment	15.1	12.7	13.7	17.4	17.4	17.8	17.8	18.9	16.9
National saving	11.6	9.8	10.2	12.0	11.8	12.4	11.8	13.9	11.9
External saving	3.5	2.9	3.6	5.4	5.6	5.4	6.0	5.0	5.0
	Millions of dollars								
Balance of payments									
Current account balance	-572	-452	-634	-1 039	-1 026	-1 050	-1 253	-1 235	-1 051
Merchandise trade balance	-875	-643	-940	-1 409	-1 445	-1 657	-2 282	-2 972	-3 127
Exports, f.o.b.	2 158	2 237	2 603	2 847	2 781	3 085	2 860	2 819	3 048
Imports, f.o.b.	3 033	2 880	3 543	4 256	4 226	4 742	5 142	5 791	6 175
Services trade balance	-29	-101	-62	-152	-91	-48	117	79	-68
Income balance	-159	-230	-239	-184	-205	-210	-84	-318	-318
Net current transfers	491	523	607	705	715	865	997	1 976	2 462
Capital and financial balance [d]	420	666	863	1 275	901	1 692	1 727	1 257	1 600
Net foreign direct investment	75	77	84	673	155	230	456	111	116
Financial capital [e]	345	589	779	602	746	1 462	1 271	1 146	1 484
Overall balance	-152	214	230	235	-125	643	474	22	550
Variation in reserve assets [f]	157	-199	-258	-263	125	-643	-474	-22	-550
Other financing [g]	-6	-15	28	28	0	0	0	0	0
Other external-sector indicators									
Real effective exchange rate (index: 2000=100) [h]	98.3	94.5	89.5	88.5	98.6	100.0	96.2	89.1	88.5
Terms of trade for goods (index: 1997=100)	105.4	92.5	100.0	99.4	91.9	89.3	87.5	86.6	84.1
Net resource transfer (% of GDP)	1.7	2.7	3.7	5.8	3.8	7.7	7.8	4.0	5.2
Total gross external debt (millions of dollars)	2 947	3 026	3 197	3 618	3 831	3 929	4 100	4 200	4 548
Total gross external debt (% of GDP)	20.1	19.2	18.0	18.7	20.9	20.4	19.5	18.1	18.6
Net profits and interest (% of exports) [i]	-5.6	-8.2	-7.5	-5.3	-5.9	-5.8	-2.9	-8.4	-8.6
	Average annual rates								
Employment									
Labour force participation rate [j]	...	...	...	...	...	...	…	60.8	...
Open unemployment rate [k]	3.9	5.2	5.1	3.8	...	...	…	3.1	3.4

Table 1 (concluded)

	1995	1996	1997	1998	1999	2000	2001	2002	2003 [a]
					Annual percentages				
Prices									
Variation in consumer prices (December-December)	8.6	10.9	7.1	7.5	4.9	5.1	8.9	6.3	5.9
Variation in nominal exchange rate (December-December)	5.2	-7.3	12.5	8.7	14.1	0.7	3.0	-3.9	4.7
Variation in average real wage	12.0	9.7	2.7	3.7	5.7	3.8	0.5	-0.9	...
Nominal deposit rate [l]	...	...	5.8	6.7	7.9	10.2	8.8	7.1	5.2
Nominal lending rate [m]	...	...	18.7	18.0	19.4	20.9	19.0	16.9	15.0
					Percentages of GDP				
Central government									
Current income	8.8	9.4	9.9	10.3	11.0	11.0	11.0	11.4	11.1
Current expenditure	6.7	6.7	6.7	7.9	8.6	9.1	9.2	8.6	8.9
Current balance	2.2	2.7	3.2	2.3	2.4	1.9	1.8	2.8	2.1
Net capital expenditure	2.7	2.7	3.9	4.5	5.2	3.7	3.7	3.8	4.5
Primary balance	0.5	1.2	0.0	-1.1	-1.5	-0.5	-0.5	0.3	-1.1
Overall balance	-0.5	0.0	-0.8	-2.2	-2.8	-1.8	-1.9	-1.0	-2.3
Public debt	13.5	13.7	13.7	13.7	16.6	17.0	17.7	16.4	18.3
Domestic	5.1	5.4	5.3	4.7	5.4	5.8	5.5	4.5	5.5
External	8.4	8.3	8.4	8.9	11.1	11.2	12.1	11.9	12.7
Interest payments (% of current income)	11.5	11.8	7.6	10.7	12.0	11.1	12.6	10.9	10.4
Money and credit [n]									
Domestic credit [o]	18.3	19.2	20.1	20.0	20.5	19.8	19.6	18.8	18.5
To the public sector	1.8	1.4	2.4	2.3	1.0	0.8	1.1	0.4	0.3
To the private sector	16.6	17.8	17.7	17.7	19.6	19.0	18.5	18.3	18.2
Money stock and local-currency deposits (M2)	23.9	22.8	24.2	19.6	20.8	25.2	27.1	28.4	31.8

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Preliminary figures. [b] Based on figures in local currency at constant 1958 prices. [c] Based on figures in local currency at current prices. [d] Includes errors and omissions. [e] Refers to the capital and financial balance (including errors and omissions), minus net foreign direct investment. [f] A minus sign (-) denotes an increase in reserves. [g] Includes use of IMF loans and credit and exceptional financing. [h] Annual average, weighted by the value of merchandise exports and imports. [i] Refers to net investment income as a percentage of exports of goods and services as shown on the balance of payments. [j] Economically active population as a percentage of the working-age population; nationwide total. [k] Unemployed population as a percentage of the economically active population, urban total; up to 1998, nationwide total. [l] Average rate for savings and time deposits in the banking system. [m] Average rate for loans by the banking system. [n] The monetary figures are annual averages. [o] Refers to net credit extended to the public and private sectors by commercial banks and other financial and banking institutions.

June. However, the average nominal rate for commercial bank deposits fell in 2003, and their yield was negative in real terms for the second year running. The nominal lending rate also fell, but in real terms its annual average rose by nearly a percentage point to 8.88%; these movements resulted in quite wide bank spreads. In the first half of 2004, bank interest rates continued to fall, but lending to the private sector remained flat. This lag may lengthen in the months ahead as efforts to drive down inflation intensify.

(c) Exchange-rate policy

The Banco de Guatemala has pursued a flexible exchange-rate policy based on occasional interventions in the foreign-exchange market to reduce volatility caused by speculation or external shocks and on non-interference with the underlying trend of the exchange rate. These incursions into the foreign-exchange market have been few and far between, as well as being small in scale relative to total market operations. As a result of this policy, the currency has appreciated in real terms over the last three years. In 2003, despite a nominal depreciation of 4.7%, the currency appreciated by an average of 1.7% against the dollar in real terms over the year. In the first five months of 2004, the exchange rate appreciated, with some fluctuations, by 1.2% in nominal terms and by 3%-4% in real terms.

Under the present administration, a debate has arisen concerning the advisability of modifying exchange-rate policy to prevent a systematic appreciation of the currency in real terms. For its part, the central bank has repeatedly and explicitly affirmed its determination to maintain a flexible exchange rate.

Table 2
GUATEMALA: MAIN QUARTERLY INDICATORS

	2002				2003 [a]				2004[a]	
	I	II	III	IV	I	II	III	IV	I	II
Merchandise exports, f.o.b.(millions of dollars)	1 040	1 035	1 077	1 010	1 078	1 151	1 172	1 059	1 174	...
Merchandise imports, c.i.f.(millions of dollars)	1 684	2 047	1 910	2 018	1 978	1 991	2 016	795	2 194	...
International reserves (millions of dollars)	2 188	2 231	2 274	2 299	2 361	2 483	2 897	2 833	2 862	2 872
Real effective exchange rate (index: 2000=100) [b]	91.5	89.9	88.4	86.4	87.5	88.7	88.3	89.6	89.8	86.7
Consumer prices (12-month percentage variation)	9.1	9.1	7.1	6.3	5.8	5.2	5.7	5.9	5.8	7.4
Average nominal exchange rate (quetzals per dollar)	7.96	7.86	7.80	7.66	7.83	7.91	7.93	8.05	8.11	8.00
Nominal interest rates (annualized percentages)										
Deposit rate [c]	7.5	7.1	6.7	7.0	6.1	5.4	4.9	4.6	4.4	4.4
Lending rate [d]	17.5	17.1	16.6	16.3	15.8	15.2	14.6	14.2	13.9	14.0
Domestic credit [e] (variation from same quarter of preceding year)	6.7	4.1	3.2	0.0	-2.8	-2.3	2.2	0.3	3.9	4.7 [f]
Non-performing loans as a percentage of total loans [g]	9.0	10.4	10.7	10.3	10.4	9.6	7.8	7.5	7.5	...

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Preliminary figures. [b] Quarterly average, weighted by the value of merchandise exports and imports. [c] Average rate for savings deposits in the banking system. [d] Average rate for loans by the banking system. [e] Refers to net credit extended to the public and private sectors by commercial banks and other financial and banking institutions. [f] Data up to April. [g] Refers to total credit extended by the banking system.

(d) Other policies

As in the rest of Central America, in 2003 and part of 2004 the authorities were engaged in negotiating the future United States-Central America Free Trade Agreement (CAFTA) and have been preparing for its probable implementation in 2005 since that time. The negotiations ended in 2003 and the agreement was signed soon thereafter, but it has yet to be ratified by the countries' congresses. One of its most important effects is expected to be a stimulus for local and foreign investment, as it permanently formalizes preferential trade access to the United States market. Another aspect of interest is the improvement of banking supervision, especially for offshore institutions. The progress made in this respect is one of the reasons why Guatemala was removed in July from the list of countries that, according to the Financial Action Task Force on Money Laundering (which is linked to the Organisation for Economic Co-operation and Development), do not collaborate sufficiently in the effort to combat money laundering.

3. The main variables

(a) Economic activity

The slowdown in the Guatemalan economy that had begun in 1999 continued in 2003. At 2.1%, growth was too slow to prevent per capita GDP from shrinking in real terms for the third year running, and imports of goods and services hardly rose at all (0.6% in real terms). This slow pace of growth was associated with the slump in gross domestic investment (-8.6%), which the upswing in exports (4.6%) and the continuing strength of private consumption (3.8%) failed to offset. The downturn in private gross fixed investment (-3.9%) was due in part to the intensification of the dispute between the administration and certain business groups and to the uncertainty surrounding the presidential elections in November. This was compounded by the retrenchment of public investment (-4.2%) and current general government expenditure (-2.1%).

The transport and communications sector grew strongly (5.4%), owing in part to the expansion of telephony and Internet communications services. The electricity, gas and water sector grew by 4%, but its momentum was slowed by weak domestic demand and budgetary constraints. The construction sector's continued stagnation (0.1%) reflects the decline in investment. Important contributing factors to the recovery in the agricultural sector (3.1%) have included coffee production (7%), thanks to the fact that output was geared to higher value-added niche markets, and cardamom (35%). Basic grain production remained lethargic, and rice output plummeted. The manufacturing sector, where activity has been slowing for over five years, grew by only 0.6% owing to the low level of investment and the sector's difficulties in coping with foreign competition. Beverage production was the only manufacturing activity whose growth rate outstripped population growth. Commerce and financial services kept pace with domestic economic activity.

The available information indicates that in 2004 the economy has begun to emerge from its slump. In March, the monthly index of economic activity registered a 2.47% year-on-year increase, as compared to 2.13% twelve months earlier, while electricity generation was 7% higher than in 2003. The strength of the economic reactivation in 2004 will depend both on how local investment and exports respond and on how much monetary and fiscal policy are tightened in the second half of the year in order to lower inflation and rein in the budget deficit.

(b) Prices, wages and employment

In 2003, annual inflation, as measured by the December-to-December variation in the consumer price index, came to 5.85%, down from the preceding year's 6.3%. In August, however, inflation began to trend upward, and in January 2004 the annual variation in the consumer price index topped the 6% ceiling set as the target for the year as a whole. Much of this trend was due to rising international prices for certain imported products, such as petroleum, fertilizers, steel and other inputs. In May 2004, the 12-month inflation rate was 7.27%, while cumulative price increases in the first five months of the year amounted to 4.42%. Given this development and these products' high international prices, it seems likely that in December annual inflation will be somewhere between 7% and 9%. The exact rate will depend both on monetary and fiscal policy and, to some extent, on the trend of the exchange rate and wages. It should be noted that, as of 23 June 2004, the exchange rate for the quetzal against the dollar had appreciated by 1.8% in nominal terms since 31 December 2003, as compared with a depreciation of 4.7% in 2003. Unless the copious flow of remittances continues undiminished, it is difficult to see how the currency can continue to appreciate as steeply as it has in the first five months of the year, especially if domestic economic activity picks up substantially.

According to official surveys, the open unemployment rate was 3.1% in May-June 2002 and 3.4% in February-March 2003. Unemployment in the metropolitan urban area (5.6%) was reported to be more than double the rate in rural areas (2.2%). During this same period, the visible underemployment rate rose from 15% to 16% of the economically active population. Recent information is lacking, but urban employment is unlikely to have risen in the first half of 2004, given the job cuts and recruitment freeze instituted in the public sector and the amount of time it is taking for investment to recover. In January 2003, minimum wages rose by 16% for agricultural workers and by 14% for all other sectors. In July 2004, further increases of 21% and 16%, respectively, were authorized; the average real level for 2004 therefore ought to be similar to the 2003 figure.

(c) The external sector

In 2003, the trade deficit for goods and services rose for the seventh year in a row, reaching US$ 3.194 billion, while the currency continued to appreciate in real terms. Although exports (8.1%) outperformed imports (6.6%), this was not enough to offset the deterioration in the services account. The current account deficit, by contrast, narrowed both in nominal terms and as a percentage of GDP (4.2%, versus 5.3% in 2002), owing to the increase in net current transfers (25%). Family remittances, which amounted to over US$ 2.5 billion, were spurred by lower transfer costs, improvements in accounting records and an increase in the number of emigrants. Foreign direct investment remained flat at a level equivalent to a little less than one third of the sum repatriated in the form of profits and dividends. Meanwhile, external borrowing (particularly the US$ 300 million in "peace bonds" (Bonos Paz) placed on foreign markets) and short-term capital inflows allowed reserves to rise by US$ 550 million.

Non-traditional exports (including petroleum) turned in a strong performance once again (13.1%). Particularly striking trends included the increase in the value added by the wearing apparel maquila industry (27.1%) and exports of fruit and fruit preparations (37.6%) and food products (46%). Traditional exports were down by 1.5%, despite the rise in coffee exports (8.7%). External sales of cardamom, bananas and sugar also fell, by 15.3%, 1% and 9.1%, respectively. Imports of capital goods declined (-2.8%), particularly those for use in industry (-7.6%). Meanwhile, imports of consumer and intermediate goods stepped up by 9.2%. Within this category, petroleum and lubricants soared by 39.7% to US$ 908.5 million.

In the first four months of 2004, imports of goods, c.i.f., rose by 12.8% in relation to the first four months of 2003 and exports rose by 9.6% in the same period. Sugar sales slipped by 37.1% despite higher international prices, while coffee sales were up by 23.2%. In the first two months of 2004, non-traditional exports being sold outside the region were extremely robust (29%), but those going to Central America showed no more than a moderate increase (3.8%). The fastest-growing imports in the first four months of 2004 were consumer goods (11.2%) and construction materials (15.1%), while fuel imports rose only slightly (0.8%). Preliminary data indicate that the flow of remittances and other short-term capital has picked up. In combination with the release of the second tranche of the Inter-American Development Bank loan for US$ 79.8 million to support financial sector restructuring, these funds have helped to maintain net international reserves at a level similar to that of December 2003 (US$ 2.919 billion).