International Monetary Fund

Español

Statement by an IMF Mission to Guatemala

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A staff team from the International Monetary Fund (IMF) visited Guatemala during August 17-26, 2010 to conduct the fourth and final review of the Stand-By Arrangement approved in April 2009 (see Press Release No. 09/142). The mission met with Minister of Finance Edgar Balsells; Central Bank Governor María Antonieta de Bonilla; Superintendent of Banks Edgar Barquín; other senior government officials, and representatives of the private sector.

At the end of the visit Mr. Alejandro Lopez-Mejía, the IMF mission chief for Guatemala, made the following statement:

"The recovery of the Guatemalan economy has continued to firm up. While the natural disasters that hit the country in late May had a negative impact on the economy, the monthly indicator of economic activity (IMAE) has continued to accelerate and inflation remains low (4.1 percent year-on-year growth, as of end-July). Growth in exports and imports is also accelerating, remittances have started to recover, and international reserves are above the end-2009 level. The fiscal deficit of the central government reached 0.9 percent of annual GDP during the first half of 2010, 0.6 percent of GDP below the program's target. The solvency and asset quality of the financial system remain adequate, and credit to the private sector in quetzales is gradually picking up.

"The near-term outlook remains positive. Economic growth in 2010 and 2011 is projected at around 2½ percent, and inflation is expected to remain within the target of 5 percent plus/minus 1 percentage point set by the Monetary Board. There is limited space to implement expansionary macroeconomic policies. The underlying fiscal deficit (i.e. without reconstruction spending) is projected at 3.1 percent of GDP in 2010 (compared to 3.1 percent of GDP in 2009), even though the overall deficit could increase up to 3.4 percent of GDP due to the damages inflicted by the recent natural disasters that may cause emergency and reconstruction expenditures to increase. It is important that the deficit starts declining in 2011 to safeguard public debt sustainability and enable the implementation of countercyclical policies in the future. Monetary policy is expected to remain vigilant, and the stance tightened if inflation forecasts deviate from the target set by the Monetary Board.

"Performance under the precautionary Stand –By Arrangement with the IMF has continued to be very strong. The authorities met all quantitative performance criteria for end-June 2010 and annual inflation stayed within the inner consultation band set in the program.

"The authorities' policy response to the crisis, supported by the IMF's Stand–By Arrangement, has proved effective. The government's strategy to treat the external resources from the Stand-By Arrangement as precautionary in order to shield the economy from external shocks helped preserve confidence, maintain stability, and protect the most vulnerable groups. A moderately countercyclical fiscal policy contributed to the recovery and a cautious monetary policy kept liquidity in line with financial sector's needs without affecting inflation expectations.

"The authorities have indicated that they will continue to treat the Stand–By Arrangement as precautionary until its completion on October 21, 2010. The mission expects that the IMF Executive Board will consider the fourth and final review of the Stand–By Arrangement in late-September 2010."

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