



Decide with Confidence

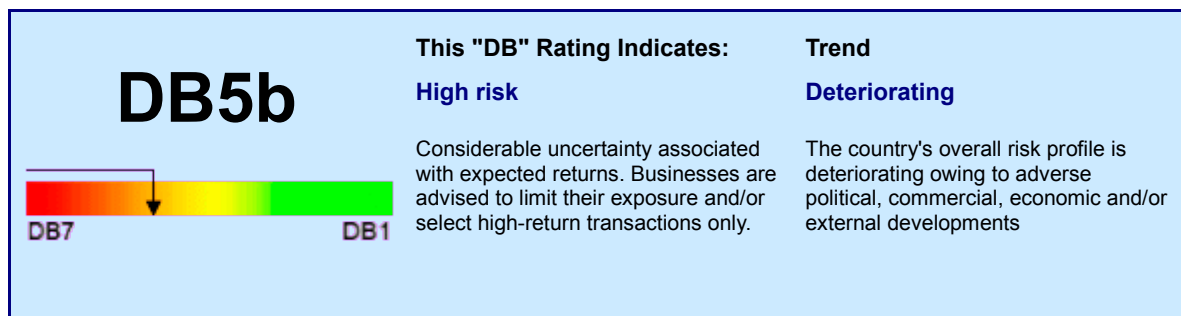
D&B Country RiskLine Report

GUATEMALA

Region : The Americas

Edition : August 2013

D&B Country Risk Indicator



The 'DB' risk indicator provides a comparative, cross-border assessment of the risk of doing business in a country and encapsulates the risk that country-wide factors pose to the predictability of export payments and investment returns over a two year time horizon. The 'DB' risk indicator is a composite index of four over-arching country risk categories:

Political risk - internal and external security situation, policy competency and consistency, and other such factors that determine whether a country fosters an enabling business environment;

Commercial risk - the sanctity of contract, judicial competence, regulatory transparency, degree of systemic corruption, and other such factors that determine whether the business environment facilitates the conduct of commercial transactions;

External risk - the current account balance, capital flows, FX reserves, size of external debt and all such factors that determine whether a country can generate enough FX to meet its trade and foreign investment liabilities;

Macroeconomic risk - the inflation rate, government balance, money supply growth and all such macroeconomic factors that determine whether a country is able to deliver sustainable economic growth to provide further expansion in business opportunities.

The DB risk indicator is divided into seven bands, ranging from DB1 through DB7. Each band is subdivided into quartiles (a-d), with an 'a' designation representing slightly less risk than a 'b' designation and so on. Only the DB7 indicator is not divided into quartiles.

Key Facts

Population:	14.0m
Surface area (sq km):	108,890
Capital:	Guatemala City
Timezone:	GMT -06:00
Main language:	Spanish
Head of state:	President Alvaro COLOM
GDP (USD):	37.3bn
GDP per capita (USD):	2,660
Life expectancy (years):	68
Literacy (% of adult pop.):	69.1

Country Overview:

Guatemala, the largest and most populous Central American country, lies directly south of Mexico and benefits from port access to both the Pacific Ocean and the Caribbean Sea. Most economic activity occurs in the western highlands, which occupy about two-thirds of the total land mass.

The economy has a large primary sector with coffee, sugar and bananas comprising the key agricultural exports. The export manufacturing sector, heavily concentrated in processed foods and textiles, benefits from free-trade access to the US market. Elsewhere, the country's rich colonial history, Mayan heritage and archaeological sites support a thriving tourism industry.

The conclusion of the civil war in 1996 brought an end to 36 years of civil war. However, Guatemala still suffers from widespread violence and criminality, which the government is seeking to address through policies aiming for the increased alleviation of poverty and the greater inclusion of the large indigenous population.

Trade & Commercial Environment

Trade Terms

Minimum Terms:	LC
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The minimum form of documentation or trading method that D&B advises its customers to consider when pursuing export trade with the stated country.

Recommended Terms:	CLC
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D&B's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

Usual Terms:	30-60 days
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Normal period of credit associated with transactions with companies in the stated country.

Transfer Situation

Local Delays:	0-2 months
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The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

FX/Bank Delays:	1-2 months
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The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.

Trade & Commercial Environment

Guatemala's commercial environment poses several challenges to business. In addition to the poor security climate, bureaucracy is cumbersome, and regulations are often inconsistently applied and complex. Overly-bureaucratic conditions have also contributed to levels of corruption that are very high, even by regional standards. Perceptions of the quality of Guatemala's business environment lag behind many of its regional competitors; consequently, we recommend CLC terms. Meanwhile, according to the latest data from the central bank, FX reserves totalled USD6.9bn at end-May (up from USD6.2bn at end-January), which is sufficient to cover approximately 4.5 months of imports of goods and services.

Export Credit Agencies

US Eximbank	Full cover available within market limits
Atradius	ST cover available, 9 mths CWP, no discretionary limits
ECGD	ST and MT cover available
Euler Hermes UK	ST cover available, restrictions may apply

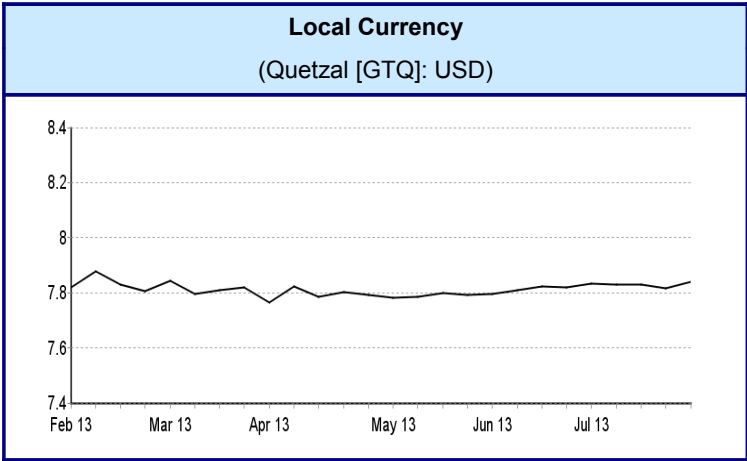
Economic Indicators

	2010	2011	2012	2013f	2014f
Real GDP growth, %	2.9	4.2	3.0	3.4	3.6
Inflation, annual ave, %	3.9	6.2	3.8	3.7	3.9
Govt balance, % GDP	-3.3	-2.8	-2.4	-2.3	-2.3
Foreign debt, % GDP	13.5	11.8	12.5	13.5	13.5
C/A balance, % GDP	-1.4	-3.4	-2.9	-3.3	-3.2

Economic Indicators: Foreign debt figures cover public external debt only.

Currency Information

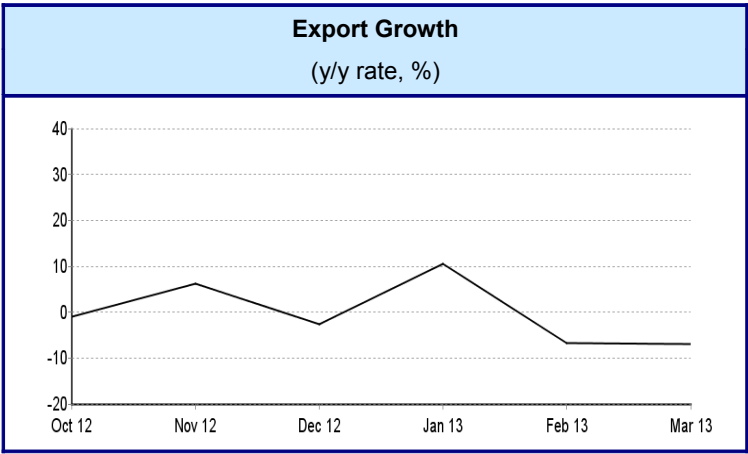
Exchange Rates	
(London, 18 Jul 13)	
EUR	10.233
GBP	11.8803
JPY*	7.768
USD	7.8165
*(x 100)	



Local Currency
(Quetzal [GTQ]: USD)

	Feb 13	Mar 13	Apr 13	May 13	Jun 13	Jul 13
Week 1	7.820	7.842	7.765	7.784	7.796	7.834
Week 2	7.878	7.796	7.824	7.784	7.810	7.832
Week 3	7.830	7.810	7.784	7.798	7.822	7.830
Week 4	7.804	7.820	7.804	7.793	7.818	7.816
Week 5			7.792			7.838

Export Growth



Data Table

Oct 12	Nov 12	Dec 12	Jan 13	Feb 13	Mar 13
-1.01	6.23	-2.59	10.58	-6.76	-6.86

Risk Factor

Guatemala's risk outlook remains under downward pressure as the security situation worsens. The latest official statistics show that the upward trend in violent crime continues, with the country having registered a 7.4% year-on-year increase in homicides during the first half of the year. In response, the government of President Otto Perez Molina has unveiled plans to restructure the leadership of the police, and to boost levels of personnel and expenditure in order to strengthen the effectiveness of the security forces. However, these measures are rather limited and are unlikely to effectively curb rising insecurity in the country. As a result, the security situation is expected to remain precarious, and to undermine Guatemala's growth prospects and overall economic development. According to a recently released study by the Guatemalan think tank, Fundesa, crime and violence cost the country 8.0% of GDP in 2012 (or 9.2% of per capita), while the Chamber of Commerce of Guatemala estimates that 12-15.0% of costs to businesses in the country are associated with security. The cost of crime and violence is likely to increase in the coming months, in line with rising insecurity; this will act as a drag on competitiveness, further reduce businesses' profits and potentially deter much-needed foreign investment.

In addition to these challenges, the increasing number of (often-violent) protests against extractive projects over environmental (and other) concerns could cloud the economic outlook. In order to calm social tension and allow time for a broad multi-stakeholder debate on reform of the current mining law, Perez proposed in July a two-year moratorium on new mining licences: if approved by Congress, it will affect 62 projects for which exploration and exploitation permits are currently being sought. However, this proposal, which has not been well received by the extractive industries association, fails to address the causes of protests against existing mine developments: these are likely to continue, while the Perez administration could face new conflicts with indigenous communities over its recent decision to grant oil exploration and exploitation licenses to six foreign firms. Growing conflict could further weaken investor confidence in the country's extractive sector, delaying or even deterring investment in the industry, and thus weighing on growth prospects.

Meanwhile, the central bank's monthly index of economic activity showed that Guatemala's economic expansion gathered pace in the first five months of 2013, despite the weak external backdrop and significant domestic challenges. We expect the economy to maintain a solid growth momentum during the second half of the year and into 2014, supported by the strengthening recovery in the US, the country's largest export market and source of remittances.

Glossary & Definitions

DEFINITIONS

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Recommended Terms:

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Usual Terms:

Normal period of credit associated with transactions with companies in the stated country.

Local Delays:

The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

F/X Bank Delays:

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C/A (current account) balance, % GDP:

Part of the balance of payments that records a nation's exports and imports of goods and services, and income and transfer payments.

DSR (debt service ratio), %:

Annual interest and principal payments on a country's external debts as a percentage of exports of goods and services.

Govt balance, % GDP:

The balance of government expenditure and receipts.

Real GDP growth, %:

GDP adjusted for inflation.

Inflation, %:

The increase in prices over a given period.

GLOSSARY

CiA	Cash in Advance
CLC	Confirmed Letter of Credit
CWP	Claims Waiting Period
FX	Foreign Exchange
LC	Letter of Credit
LT	Long term
MT	Medium term
OA	Open Account
SD	Sight Draft
ST	Short term

Customer Service & Support

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