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Guatemala: Letter of Intent

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The following item is a Letter of Intent of the government of Guatemala, which describes the policies that Guatemala intends to implement in the context of its request for financial support from the IMF. The document, which is the property of Guatemala, is being made available on the IMF website by agreement with the member as a service to users of the [IMF](#) website.

Letter of Intent

Guatemala City, September 13, 2010

Mr. Dominique Strauss-Kahn
Managing Director
International Monetary Fund
Washington, D.C., 20431

Dear Mr. Strauss-Kahn:

1. The Stand-By Agreement approved by the IMF Executive Board on April 22, 2009, continues to be implemented satisfactorily. All end-June quantitative performance criteria were met (Table 1). In particular, we have complied with the targets on net international reserves and the overall balance of the central government; government deposits at the central bank were above the indicative target, and consumer price inflation at end-June stood at 4.1 percent (year-over-year), within the inner consultation band set in the program.
2. The recovery of the Guatemalan economy is firming up. Although the natural disasters that hit the country in late May caused human losses and had a negative impact on the economy, they did not derail the recovery. We are confident that economic growth will exceed 2 percent in 2010 and that inflation will remain within the target band of 4–6 percent set by the Monetary Board. At present, growth in exports and imports is accelerating, remittances are recovering, and international reserves are well above end-2009 levels. The fiscal outturn in the first half of 2010 was better than envisaged, with the deficit of the central government reaching 0.9 percent of annual GDP (0.6 percent of GDP lower than projected). The financial system remains resilient, and credit to the private sector in local currency is gradually picking up.
3. In light of this performance and our continued commitment to the program, we request completion of the fourth and final review under the SBA. Our intention remains to treat the remainder of the arrangement as precautionary.
4. We remain committed to the broad macroeconomic policy and reform agenda spelled out in previous Letters of Intent as the program comes to an end in October 2010. Looking ahead, we intend to continue our close and productive policy dialogue with the Fund.

Sincerely yours,

/s/

/s/

Edgar Alfredo Balsells Conde
Minister of Finance

Maria Antonieta del Cid Navas de Bonilla
President, Central Bank of Guatemala

Table 1. Guatemala: Quantitative Performance Criteria, Indicative Targets, and Inflation Consultation Clause

	2009		2010	
	End-December	End-March	End-June	Observed
Performance Criteria				
Overall balance of the central government, floor (millions of quetzales) 2/	-9,684	-1,199	-5,000	-3,095
Net international reserves, floor (millions of US\$)	4,797	5,119	4,000	5,307
Accumulation of external arrears 3/	0	0	0	0
Indicative Targets				
Central government deposits at Banguat, floor (millions of quetzales)	5,209	5,365	5,000	8,788
Consultation clause on inflation 4/				
Outer band, upper limit	3.8	6.5	7.5	7.5
Inner band, upper limit	2.8	5.5	6.5	6.5
Inner band, lower limit	-1.2	1.5	2.5	2.5
Outer band, lower limit	-2.2	0.5	1.5	1.5
Memorandum item:				
Actual inflation	-0.3	3.9	...	4.1

1/ Staff Report for the Third Review under the SBA.

2/ Cumulative from end of preceding year.

3/ Continuous performance criterion.

4/ Deviations from the band's limits will trigger consultations with the Fund, as indicated in the TMU.