GUATEMALA ECONOMIC OUTLOOK – GEO

WITH EARLY WARNING SYSTEM FOR 2005

MONTHLY ECONOMIC REPORT DECEMBER, 2005

EXECUTIVE SUMMARY

2005 year

a) Economic Forecast. Relevant Aspects of 2005
  - National economy will grow around 3% in 2005
  - Exports maintain a good performance
  - Foreign purchased increase the rate of growth
  - Current account deficit will be reduced as not seen recent in years (estimated in 3% of GDP).
  - Fiscal deficit in 1.5% % of the GDP (Copades re-estimated).
  - Liquidity surplus remain present and lending rate continues its downward trend. That is promoting an expansion of commercial credit.
  - Bank lending to the private sector in FC is 33.9% of borrowing in LC.
  - This bank lending is nourished in 43.8% from the borrowing facilities, and the rest comes from the US dollar deposits received by the banks. It was 40% in October'05.
  - The inflationary rate can reach 10.5% after hurricane Stan.
  - The OMO's rate for 7-day of Central Bank increases to 4.00%.
  - Exchange rate placed again in the COPADES scenario.

b) Real Activity Sector
  - Despite the natural disasters associated to the tropical storm Stan (Oct'05), causing deaths, huge losses of business capital, deprivation of provisions, epidemics, and, on the other hand, the continuous impact of oil prices, the national economy will grow around 3% in 2005.
  - Therefore, should such effects have not occurred; the economic development could have been approximate to the official estimate (3.2%) and the IMF estimate.
  - Official assessment on the effects caused by Stan:
    - 474.821 victims (4% of the entire population)
    - 669 deaths (confirmed)
    - 884 disappeared
    - 42.941 persons in shelters
    - The total amount of the impact (Q 7.47 billion) is equal to 3.4% of the GNP for 2004
    - The amount of damages (Q 3.16 billion) represents 39% of the gross capital formation in the construction of 2004
    - Losses (Q 4.31 billion) are equal to 2% of the GNP.
  - Transfers of money to family and friends living in Guatemala imply an oxygen bag supporting the domestic consumption capacity (reaching US$ 2.6 billion, 11.5% of inter-annual growth).

c) External Sector

- o Exports continue to have a good dynamism and will end the year in nearly 14.5%. According to the foreign trade figures as of September, and the reference of the records of the Balance of Payments (with data as of October 27).
- o Imports increase the growth rate and will end the year in approximately 13.0%. For such purpose, as for exports, October was estimated (still not available) and the series was projected for the end of the year.
- o <u>Actually, the trade balance is estimated as 14.5% of GDP and Current account deficit will be reduced as not seen in recent years (estimated in 3% of GDP).</u>

d) Fiscal Balance and Financing Resources

- o Income and more dynamic expenses and fewer deficits by October. It is estimated that the year will end with a deficit of 1.5% of the GDP for a greater acceleration of the estimated expenses by the end of the year, although the execution will not amount to the estimated budget.
- o Total income an inter-annual increase of 8.8% (2% the previous month), while expenses went up 13% (-11.3% the previous month).
- o <u>Fiscal deficit between 1.7% of the GDP (Official Budget) and 1.5% (Copades re-estimated), but always will be higher than the fiscal deficit recorded the previous year (it was 1% of the GDP).</u>
- o No bonds were placed at home or abroad since July. Accrued net financing (after deducting redemptions) covers a deficit of Q. 1.125 million as of today, and maintains an annual increase in deposits of the Central Government with Banco de Guatemala for Q. 1.4 billion. This condition supports the monetary policy.

e) Monetary and Financial Sector

- o Any liquid assets surplus contribute to maintain stable the interest rates, with a slight downward trend.
- o Loans have risen encouraged by low interest rates.
- o Total liquidity would be growing in around 15.4%, and credit to the consolidated private sector around 21.0%, within an official projections in data monthly series.
- o <u>Bank lending to the private sector, in foreign currency</u> is 33.9% of borrowing in national currency, due to the stability of the rate of exchange, and low interest rates. This bank lending is nourished <u>in 43.8% from the borrowing facilities,</u> and the rest comes from the US dollar deposits received by the banks. It was 40% in October'05.

Loan Volume and %			
	Dec-04	Penultimate Data Oct-05	Last Data Nov-17-05
	Expressed in US$MM except ratios		
1. Loans to the Private Sector (L/C)	3,799.5	4,462.1	4,543.7
2. Loans to the Private Sector (F/C)	1,376.6	1,480.0	1,540.6
Ratio 2/1	36.2%	33.2%	33.9%
3. Bank System Net External Assets	-555	-606	-674
Ratio 3/2	40.3%	41.0%	43.7%
4. Monetary Aggregates (F/C)	993.2	1,154.2	1,147.5
Ratio 2/4	138.6%	128.2%	134.3%
Source: Banguat and Copades. Local Currency (L/C); Foreign Currency (F/C)			

f) Interest Rate

- Bank interest rates with non-perceptible movements.
- The leader rate (rate for 7-day operations) of Central Bank (CB) increases ¼ percentage points to 4.00%.
- Term borrowing rates continue to be negative in real terms. However, there are still not any competitive external options.

g) Inflation Rate

- Only in nine months of the year, the CPI recorded an accrued change of 6.69%, exceeding Banguat's goal ceiling, without Stan. <u>At 8.57% in October and after Stan.</u>
- The inflationary rate can reach 10.5% after hurricane Stan as a medium scenario (if not, could be around 8.5%)

h) Exchange Rate

- After the recent devaluation movements (from end of September to 22 of October) that implied more relative volatility levels, <u>The rate of exchange is, as anticipated and explained by COPADES, within the fluctuation scenarios forecasted for 2005</u>.
- The average annual rate of exchange for 2005 would mean an appreciation of -3.8% from 2004. The actual inter-annual rate is -1.7% because the weighed average selling rate of exchange is 7.63 against US$1.00 vs. Q7.76/US$ 1.00 previous year.

2006 year

i) ECONOMIC REACTIVATION

- It is estimated that the moderate economic reactivation that began two years ago, will continue throughout 2006. in actual terms the GDP could grow 3.8%.

j) GOOD FOREIGN TRADE DYNAMICS

- It is difficult to maintain high growth rates in exports. However, exports may still expand around 13.5%, in part due to the windows of opportunity opened by CAFTA. Included is the value added by the inbond assembly industry.
- A slight deceleration is foreseen for the growth rates in imports, to be positioned in around 12.5%. However, in real terms, imports mean more than 70% of exports, and are benefited with an appreciated currency (Quetzal).

k) DEFICIT IN CURRENT ACCOUNT

- The high commercial deficit will continue, neutralized largely by the mass transfers of money to family and friends living in Guatemala, that intermingled with hot money and other flows, will keep on growing to be probably standing above US$ 3.3 billion.
- Current account deficit will be 2.3% of GDP.

l) TAX CONDITION

- According to the expenditure that may be executed, the deficit would be around 2.4% with respect to the GDP.

m) BEHAVIOR OF THE RATE OF EXCHANGE

- A reduction in the interest rates differential, a greater dynamism of imports, and a high level of NIR cause to foresee a slight nominal devaluation of 2.0% for 2006, ending two years of continuous appreciation.
- It is suitable to remember that the average nominal devaluation of the last five-year period has been around 0.29%.

n) INTEREST RATES AND INFLATION

- From the time the public debt has been placed in the local financial market, a slight rise in both the borrowing and lending rates would be expected, although less than the international market, given the levels of liquid assets expected, and the lending competition to the private sector.
- COPADES estimates a mean inflation scenario of 8% for 2006.

GUATEMALA BASIC PROSPECT TABLE

Area: 108.890 Km2. Government: Democratic Republic. President: Oscar Berger, leader of Gran Alianza Nacional (GANA). Next Elections for Presidency: November of 2008. Exchange Rate Regime: Flotation regime with transparency intervention norms. Credit rating: Moody's: Ba2; and S&P: BB-.

GUATEMALA
BASIC PROSPECT TABLE

TABLE CA-1
COPADES

INDICATORS	2000	2001	2002	2003	2004	2005	2006
1. GROSS DOMESTIC PRODUCT							
US$ MM of 2000 [(1)]	18,057	18,478	18,894	19,296	19,811	20,405	21,180
% annual	3.6	2.3	2.2	2.1	2.7	3.0	3.8
US$ MM	19,272	20,923	23,243	24,642	27,339	31,603	33,729
2. POPULATION [(2)]							
Thousands	10,675	10,952	11,237	11,529	11,829	12,137	12,453
% annual	2.7	2.6	2.6	2.6	2.6	2.6	2.6
3. GDP PER-CAPITA							
US$ of 2000 [(1)]	1,805	1,687	1,681	1,674	1,675	1,681	1,701
% annual	0.9	(6.5)	(0.3)	(0.5)	0.1	0.4	1.2
US$	1,805	1,910	2,068	2,137	2,311	2,604	2,708
4. TRADE BALANCE							
FOB Exports - US$MM [(a)]	3,073	2,808	2,622	2,831	3,106	3,553	4,033
% annual	12.3	(8.6)	(6.6)	8.0	9.7	14.4	13.5
CIF Imports - US$MM	5,141	5,607	6,078	6,243	7,195	8,126	9,142
% annual	12.8	9.0	8.4	2.7	15.2	12.9	12.5
Balance US$MM	(2,069)	(2,799)	(3,456)	(3,412)	(4,089)	(4,573)	(5,109)
5. NET INTERNATIONAL RESERVES [(3)]							
Change US$MM	655	474	22	549	609	272	0
Accumulated US$MM	1,874	2,348	2,370	2,919	3,528	3,800	3,800
NIR in months of imports	4.4	5.0	4.7	5.6	5.9	5.6	5.0
6. BUDGET EXECTUTION							
Revenues Q.MM	16,469	18,222	20,772	21,809	23,462	24,882	27,654
% annual	15.9	10.6	14.0	5.0	7.6	6.1	11.1
Expenditures Q.MM	19,110	21,327	22,541	26,334	25,542	28,373	33,933
% annual	6.1	11.6	5.7	16.8	(3.0)	11.1	19.6
Deficit (-) ó Superavit (+) Q.MM	(2,641)	(3,105)	(1,770)	(4,525)	(2,080)	(3,491)	(6,279)
% / GDP	(1.8)	(1.9)	(1.0)	(2.3)	(1.0)	(1.5)	(2.4)
7. EXTERNAL PUBLIC DEBT							
Accumulated US$MM	2,644	2,925	3,119	3,467	3,844	3,734	3,934
Debt service US$MM	252	277	324	328	462	385	400
8. INTEREST RATE [(4)]							
% Lending	20.0	17.9	16.2	14.2	13.5	13.2	13.7
% Borrowing	11.0	8.5	6.9	4.2	4.5	4.4	4.9
% current savings	5.5	4.1	2.9	1.8	1.8	1.5	2.0
% time deposits	15.3	11.3	9.6	6.7	6.9	7.0	7.5
% banking bonds	15.1	12.5	10.7	7.5	7.3	7.4	7.9
9. INFLATION RATE							
% CPI [(5)]	5.1	8.9	6.3	5.9	9.2	10.5	8.0
10. EXCHANGE RATE							
dec/dec - Q. /US$1.00 [(6)]	7.74	8.02	7.84	8.06	7.76	7.60	7.76
% annual	(1.4)	3.6	(2.2)	2.8	(3.7)	(2.0)	2.0
average - Q. /US$1.00	7.77	7.88	7.83	7.97	7.94	7.59	7.68

[(1)] Exchange Rate used : Q.7.77 /US$1.00 (average 2000).
[(2)] Estimations on basis of XI Census of Population 2002
[(3)] NIR, Central Bank.
[(4)] Weighted, end of period.
[(5)] Guatemala Republic, end of period.
[(6)] Weighted average for selling, banking system, end of period.
[(a)] Figures from Balance of Payment, included Draw-back.

Source: COPADES,on basis of Central Bank, Statistical National Institute, others official sources and own estimations.

EARLY WARNING SYSTEM (2005) – *Guatemala Economic Outlook* **DECEMBER 2005**

I – MACROECONOMIC COMPONENTS

SELECTED INDICATORS	MEAI Monthly Economic Activity Index	Inflation Rate % Change: Accumulated		Inflation Rate % Change: Monthly		Central Government Balance % / GDP (a)	Current Account Balance % / GDP	Effect of Policy Monetary (Nominal Activity vrs. i%OMOs)
WARNING	5.0%<x<1.5%	> 6.50%		> 0.54%		> -2.0% Annual	> -3.0% Annual	6.5%<x<"-"
MONTH / DATA	Real	Warning	Real	Warning	Real	Estimated	Estimated	Real
January	3.24	0.54	1.36	0.54	1.36	-1.05	-2.77	6.24
February	3.03	1.09	2.11	0.54	0.74	-1.07	-2.65	6.04
March	3.05	1.63	2.58	0.54	0.47	-1.17	-2.65	5.82
April	3.04	2.18	3.23	0.54	0.63	-1.14	-2.50	6.00
May	3.07	2.72	3.75	0.53	0.50	-1.18	-2.38	5.72
June	3.11	3.26	4.43	0.53	0.66	-0.99	-2.51	6.06
July	3.22	3.80	5.41	0.53	0.94	-0.75	-2.55	6.68
August	3.29	4.34	5.80	0.52	0.36	-0.82	-2.77	7.03
September	3.37	4.88	6.69	0.52	0.85	-1.08	-2.75	7.30
October	3.37	5.42	8.57	0.51	1.76	-1.19	-2.61	8.34
November	3.37	5.96	8.61	0.51	0.04	-0.95	-2.38	7.29
December		6.50		0.51				
Dec-04	3.47		9.23		0.77	-0.93	-3.09	6.64
Dec-03	2.45		5.85		0.49	-2.31	-3.18	2.99
Dec-02	2.51		6.25		0.52	-0.99	-4.43	1.93
Dec-01	1.75		8.91		0.74	-1.86	-6.32	0.69
Dec-00	4.13		5.08		0.43	-1.83	-5.56	-5.80

(a) There are no estimates of monthly GDP. This calculate is an estimation.

Note: The reserves and interest rates datas are reflected at the last Thursday of each month.

Source: COPADES criteria and statistical data based on Central Bank of Guatemala.

Source: COPADES©

EARLY WARNING SYSTEM (2005) – *Guatemala Economic Outlook* DECEMBER 2005
II – MACROFINANCIAL & EXTERNAL COMPONENTS

SELECTED INDICATORS	Trade Balance US$ MM: Accumulated		Trade Balance US$ MM: Monthly		Net Official Int'l Reserves of Central Bank US$MM	Net External Assets - NEA - Banking System US$MM	Monthly Exchange Rate Quetzal / US$	Average Lending Rates in Quetzales	Average Time Deposits Rates in Quetzales
WARNING	> -4,000		> -292		<2669 (4m/M's)	>-894	7.73<x<7.84	13.0%>x>14.5%	< 5.5 %
MONTH / DATA	Warning	Real	Warning	Real	Real	Real	Real	Real	Real
January	-285.6	-381.1	-285.6	-381.1	3508.5	-570.1	7.76	13.55	6.89
February	-523.6	-700.7	-238.0	-319.7	3536.8	-576.0	7.69	13.54	6.91
March	-798.0	-1141.0	-274.4	-440.3	3663.5	-594.5	7.60	13.50	6.86
April	-1076.4	-1520.3	-278.4	-379.3	3734.6	-606.2	7.61	13.14	6.91
May	-1329.2	-1899.5	-252.8	-379.2	3785.0	-573.1	7.62	13.13	6.91
June	-1598.0	-2329.7	-268.8	-430.3	3738.0	-631.0	7.61	13.14	6.92
July	-1905.6	-2696.7	-307.6	-367.0	3793.0	-641.0	7.59	13.01	6.91
August	-2314.4	-3184.1	-408.8	-487.3	3794.0	-601.0	7.60	12.98	6.90
September	-2738.0	-3579.8	-423.6	-395.7	3814.8	-586.0	7.71	12.88	6.92
October	-3176.4	-4024.2	-438.4	-443.7	3767.9	-605.9	7.63	12.80	6.92
November	-3614.4	*-4024.2*	-438.0	*-443.7*	3783.0	-700.0	7.63	12.86	6.94
December	-4000.0		-385.6						
Dec-04		-4530.0		-377.5	3527	-555	7.76	13.52	6.86
Dec-03		-3830.0		-319.2	2919	-464	8.06	14.20	6.70
Dec-02		-3850.0		-320.8	2324	-407	7.84	16.23	9.62
Dec-01		-3194.9		-266.2	2356	-447	8.02	17.92	11.32
Dec-00		-2472.2		-206.0	1877	-518	7.74	19.96	15.32

Note: The reserves and interest rates datas are reflected at the last Thursday of each month.
Source: COPADES criteria and statistical data based on Central Bank of Guatemala.

Source: COPADES©

EARLY WARNING SYSTEM (2005) – *Guatemala Economic Outlook*
III – REFERENCES FOR MACROFINANCIAL & EXTERNAL COMPONENTS

DECEMBER 2005

included Internal Bonds expressed in US$ (a)

SELECTED INDICATORS	Average Lending Rates in USDollar	Average Time Deposits Rates in USDollar	Average Time Deposits Rates in USDollar in USA	NIR / months of Import CIF	Foreign debt (and expressed in US$) / %GDP	Foreign debt (and expressed in US$) / % X's g&s	Service Paid of Foreign Debt / % X's g&s
				international criteria			
Warning Reference	Domestic	Domestic	Int'l Market	< 3 months	> 30%	> 150%	> 25%
MONTH / DATA	Real	Real	Real	Real	Estimated	Estimated	Estimated
January	6.93	4.03	2.95	15.68	18.13	162.64	22.27
February	7.03	4.18	3.06	15.67	18.23	163.35	22.42
March	7.03	4.16	3.33	16.23	18.52	167.24	23.34
April	7.09	4.19	3.36	16.15	18.94	167.41	22.68
May	7.13	4.15	3.47	15.92	19.17	164.83	21.71
June	7.15	4.23	3.64	15.59	19.12	163.59	21.35
July	7.18	4.31	3.85	15.75	18.93	162.40	20.73
August	7.21	4.30	4.04	15.69	19.27	164.37	21.32
September	7.23	4.37	4.10	15.48	19.40	160.71	21.16
October	7.23	4.32	4.35	15.22	19.03	159.91	21.01
November	7.22	4.41	4.54	15.31	19.22	159.88	19.88
December							
Dec-04	6.85	4.10	2.72	15.89	20.07	164.50	22.90
Dec-03	6.82	3.91	1.15	14.52	19.74	161.16	23.51
Dec-02	7.39	4.92	1.33	12.49	18.18	143.70	28.51
Dec-01	8.80	5.40	1.85	11.68	19.76	123.52	
Dec-00	-.-	-.-	6.58	8.33	19.69	115.83	

[a] Included Domestic Debt because there are may bonds expressed in US$, and this debt suposed the 70% of total debt in 2003.

Note: The reserves and interest rates datas are reflected at the last Thursday of each month.

Source: COPADES criteria and statistical data based on Central Bank of Guatemala and International Monetary Fund.

Source: COPADES©

EARLY WARNING SYSTEM (2005) – *Guatemala Economic Outlook*

IV – FINANCIAL & BANKING COMPONENTS

DECEMBER 2005

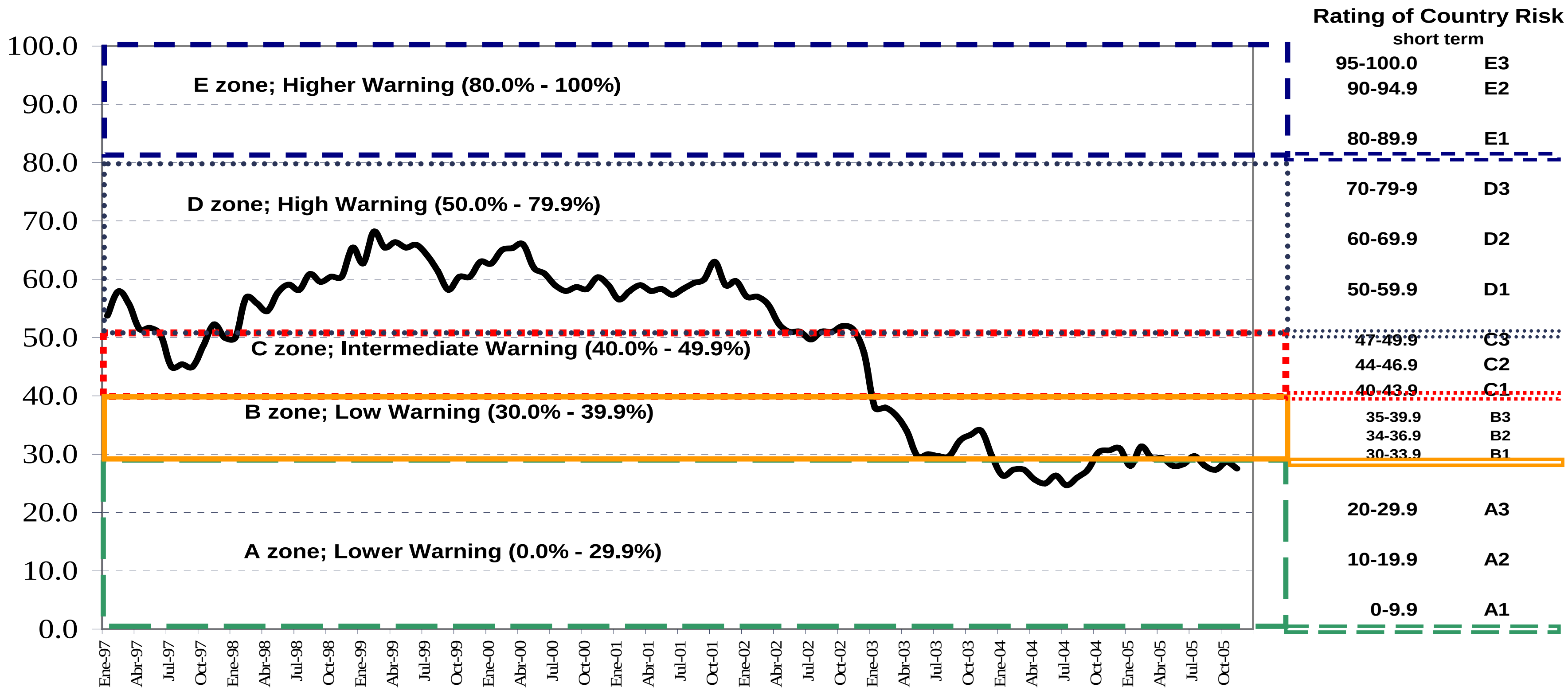
SELECTED INDICATORS	Solvency ratio: Own Funds / Assets	Asset Quality: Loans with problems (%)	Financial Liquidity: Avaliable and Short Term Investment /	Return on Assets ROA ratio	Risk Profile: Financial Expenses of Deposits, Annualized
WARNING criteria	< 8%	> 6%	< 48,5%	< 1,35%	2300<x<1500
MONTH / DATA	Real	Real	Real	Real	Real
January	8.34	4.90	50.33	1.87	1790.15
February	8.23	5.03	50.25	1.66	1709.67
March	8.04	4.77	50.62	1.75	1736.30
April	7.83	4.87	51.22	1.73	1754.89
May	7.81	4.71	50.67	1.74	1780.80
June	7.71	4.51	49.95	1.76	1790.00
July	7.54	4.45	49.91	1.73	1800.00
August	7.68	4.56	50.18	1.74	1825.50
September	7.64	4.50	50.01	1.74	1845.33
October	7.62	4.50	50.03	1.74	1869.60
November	7.65	4.52	50.07	1.74	1846.81
December					
Dec-04	7.58	4.46	50.36	1.65	1571.01
Dec-03	7.92	4.77	50.07	1.37	1773.37
Dec-02	5.27	13.80	47.53	0.57	2393.69
Dec-01	6.70	8.82	48.03	0.47	2759.22
Dec-00	9.08	7.14	45.89	1.21	2796.00

Source: COPADES criteria and statistical data based on Central Bank of Guatemala and Supervisory Agency of Banks.

Source: COPADES©

EARLY WARNING SYSTEM (2005)
V – GLOBAL LEVEL OF COUNTRY RISK

DECEMBER 2005



Notes: it is a rating system that combines macroeconomic, banking and financial indicators, of foreign and domestic context, which have been leading indicators in third generation crisis since 90's end. The methodology can add variables to improve the integrity and power of both national and local currency ratings, and/or; re-scale the own score system for each indicator depending on sensibility of market conditions and evolution of emerging economies. Anyway, more score (0.0-100.0) implies more risk, more volatile and vulnerability levels.

Source: COPADES©

STATISTICAL ANNEX (8 TABLES)

GUATEMALA — **COPADES**

INFLATION RATE ACCORDING TO THE CONSUMER PRICE INDEX (CPI) IN METROPOLITAN AREA — **G-01**

(Index - Dec'00=100.0 - and percentage variation rates to the end of each month) — **DECEMBER 2005**

CONCEPT	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2002												
CPI	110.7	111.8	112.5	113.0	113.3	113.9	114.6	114.7	114.6	114.9	115.3	116.0
Inflation rate (%)												
Monthly	1.4	1.0	0.6	0.4	0.3	0.5	0.6	0.1	(0.1)	0.3	0.3	0.6
Acummulated	1.4	2.4	3.0	3.5	3.8	4.3	5.0	5.1	4.9	5.2	5.6	16.0
Interannual	9.1	9.1	9.1	9.1	9.2	8.9	8.7	7.5	7.0	6.5	6.2	6.2
2003												
CPI	117.6	118.3	118.8	119.2	119.5	119.8	120.1	120.3	120.8	121.3	121.9	122.5
Inflation rate (%)												
Monthly	1.4	0.6	0.4	0.4	0.3	0.2	0.3	0.2	0.4	0.4	0.5	0.5
Acummulated	1.4	2.0	2.4	2.8	3.1	3.2	3.5	3.7	4.1	4.6	5.1	5.6
Interannual	6.2	5.8	5.6	5.5	5.5	5.1	4.8	4.8	5.4	5.6	5.7	5.6
2004												
CPI	124.8	125.7	126.7	127.2	128.2	128.7	129.2	129.6	130.4	131.4	132.6	133.1
Inflation rate (%)												
Monthly	1.9	0.8	0.7	0.4	0.8	0.4	0.4	0.3	0.6	0.7	0.9	0.4
Acummulated	1.9	2.7	3.4	3.9	4.7	5.1	5.5	5.8	6.5	7.3	8.2	8.7
Interannual	6.1	6.3	6.6	6.7	7.2	7.4	7.6	7.8	8.0	8.3	8.8	8.7
2005												
CPI	135.1	136.0	136.6	137.4	138.2	138.9	140.3	140.8	141.8	143.8		
Inflation rate (%)												
Monthly	1.5	0.7	0.4	0.6	0.5	0.6	1.0	0.4	0.7	1.3		
Acummulated	1.5	2.2	2.6	3.2	3.8	4.4	5.4	5.8	6.6	8.0		
Interannual	8.2	8.2	7.8	8.1	7.8	8.0	8.6	8.6	8.7	9.4		

Source: National Institute of Statistics.

GUATEMALA
MONTHLY EXCHANGE RATE IN THE BANKING SYSTEM — **COPADES**
2001-2003 — **G-02**
Weighted Average of selling, Quetzal per US$1.00, month-end data. — **DECEMBER 2005**

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2001												
EXCHANGE RATE	**7.80**	**7.70**	**7.71**	**7.80**	**7.77**	**7.81**	**7.81**	**7.86**	**8.01**	**8.16**	**8.07**	**8.02**
Rate of change												
Month-on-month	0.72	(1.23)	0.05	1.27	(0.44)	0.48	0.00	0.67	1.89	1.89	(1.07)	(0.63)
12-month (% change)	(1.55)	(0.89)	(0.19)	1.11	0.90	0.54	0.70	1.08	2.53	3.95	3.81	3.62
Month t over previuos december	0.72	(0.48)	(0.43)	0.83	0.39	0.87	0.87	1.55	3.47	5.43	4.30	3.65
2002												
EXCHANGE RATE	**8.00**	**7.95**	**7.85**	**7.81**	**7.86**	**7.92**	**7.81**	**7.81**	**7.76**	**7.68**	**7.60**	**7.84**
Rate of change												
Month-on-month	(0.26)	(0.70)	(1.18)	(0.47)	0.58	0.78	(1.36)	0.01	(0.64)	(1.06)	(1.09)	3.18
12-month (% change)	2.60	3.15	1.89	0.13	1.16	1.46	0.08	(0.58)	(3.05)	(5.86)	(5.88)	(2.28)
Month t over previuos december	(0.26)	(0.96)	(2.12)	(2.59)	(2.02)	(1.26)	(2.60)	(2.59)	(3.22)	(4.24)	(5.29)	(2.28)
2003												
EXCHANGE RATE	**7.83**	**7.89**	**7.93**	**7.89**	**7.92**	**7.94**	**7.95**	**7.95**	**8.03**	**8.15**	**8.07**	**8.06**
Rate of change												
Month-on-month	(0.07)	0.67	0.61	(0.60)	0.37	0.35	0.01	0.03	1.10	1.38	(0.96)	(0.13)
12-month (% change)	(2.09)	(0.74)	1.06	0.93	0.72	0.29	1.68	1.70	3.48	6.04	6.18	2.77
Month t over previuos december	(0.07)	0.60	1.21	0.61	0.98	1.34	1.35	1.38	2.49	3.91	2.91	2.77
2004												
EXCHANGE RATE	**8.12**	**8.11**	**8.10**	**8.01**	**7.98**	**7.91**	**7.96**	**7.91**	**7.90**	**7.80**	**7.76**	**7.76**
Rate of change												
Month-on-month	0.83	(0.15)	(0.10)	(1.16)	(0.32)	(0.91)	0.60	(0.66)	(0.12)	(1.28)	(0.42)	(0.04)
12-month (% change)	3.70	2.84	2.12	1.54	0.84	(0.43)	0.16	(0.52)	(1.72)	(4.30)	(3.78)	(3.68)
Month t over previuos december	0.83	0.67	0.57	(0.60)	(0.92)	(1.82)	(1.23)	(1.87)	(1.99)	(3.25)	(3.65)	(3.68)
2005												
EXCHANGE RATE	**7.76**	**7.69**	**7.60**	**7.61**	**7.60**	**7.61**	**7.59**	**7.60**	**7.71**	**7.63**	**7.63**	
Rate of change												
Month-on-month	(0.04)	(0.95)	(1.15)	0.12	(0.13)	0.18	(0.21)	0.05	1.51	(1.12)	0.07	
12-month (% change)	(4.52)	(5.24)	(6.24)	(5.03)	(4.84)	(3.79)	(4.57)	(3.90)	(2.33)	(2.17)	(1.69)	
Month t over previuos december	(0.04)	(0.95)	(2.10)	(1.98)	(2.11)	(1.93)	(2.13)	(2.09)	(0.61)	(1.73)	(1.66)	

Source: Daily reports from Central Bank of Guatemala. Average 2005 = 7.64

GUATEMALA
EVOLUTION OF TRADE BALANCE
2002-2005
(US$ Million)

COPADES
G-03
DECEMBER 2005

ITEM / MONTH	FOB EXPORTS 2002	FOB EXPORTS 2003	FOB EXPORTS 2004	FOB EXPORTS 2005	CIF IMPORTS 2002	CIF IMPORTS 2003	CIF IMPORTS 2004	CIF IMPORTS 2005	BALANCE 2002	BALANCE 2003	BALANCE 2004	BALANCE 2005
MONTHLY												
JAN	221.0	197.2	202.9	224.0	475.5	543.6	550.4	605.1	(254.5)	(346.3)	(347.4)	(381.1)
FEB	236.6	199.9	198.1	221.5	426.7	450.1	505.3	541.2	(190.1)	(250.2)	(307.2)	(319.7)
MAR	144.1	188.6	241.7	242.5	423.5	539.3	628.1	682.8	(279.4)	(350.7)	(386.5)	(440.3)
APR	199.8	192.9	214.9	281.4	541.0	512.3	599.0	660.6	(341.2)	(319.4)	(384.1)	(379.3)
MAY	187.4	237.1	209.8	286.9	555.5	502.4	585.7	666.1	(368.1)	(265.3)	(375.8)	(379.2)
JUN	197.1	211.0	253.7	278.3	468.7	486.0	599.1	708.6	(271.6)	(274.9)	(345.4)	(430.3)
JUL	188.2	258.3	291.9	305.3	488.9	521.3	596.3	672.3	(300.7)	(263.0)	(304.4)	(367.0)
AUG	159.5	185.2	218.6	237.3	501.7	518.1	594.3	724.6	(342.2)	(333.0)	(375.7)	(487.3)
SEP	194.4	172.6	210.2	258.7	448.5	517.6	580.1	654.4	(254.1)	(345.0)	(369.9)	(395.7)
OCT	199.6	183.4	184.5		550.4	555.6	614.5		(350.8)	(372.2)	(430.0)	
NOV	171.7	181.1	204.1		511.9	549.8	682.0		(340.2)	(368.7)	(477.8)	
DEC	176.4	205.4	233.4		494.5	546.7	659.8		(318.1)	(341.3)	(426.4)	
ACCUMULATED												
JAN	221.0	197.2	202.9	224.0	475.5	543.6	550.4	605.1	(254.5)	(346.3)	(347.4)	(381.1)
FEB	457.6	397.1	401.1	445.5	902.2	993.7	1055.6	1146.3	(444.6)	(596.5)	(654.6)	(700.7)
MAR	601.7	585.8	642.7	688.1	1325.7	1533.0	1683.8	1829.1	(724.0)	(947.2)	(1041.0)	(1141.0)
APR	801.5	778.6	857.6	969.5	1866.7	2045.2	2282.8	2489.7	(1065.2)	(1266.6)	(1425.2)	(1520.3)
MAY	988.9	1015.7	1067.4	1256.3	2422.2	2547.6	2868.4	3155.8	(1433.3)	(1531.9)	(1801.0)	(1899.5)
JUN	1186.0	1226.7	1321.1	1534.6	2890.9	3033.6	3467.5	3864.4	(1704.9)	(1806.9)	(2146.4)	(2329.7)
JUL	1374.2	1485.0	1613.0	1840.0	3379.8	3554.9	4063.8	4536.7	(2005.6)	(2069.9)	(2450.8)	(2696.7)
AUG	1533.7	1670.1	1831.6	2077.2	3881.5	4073.0	4658.2	5261.3	(2347.8)	(2402.9)	(2826.5)	(3184.1)
SEP	1728.1	1842.8	2041.9	2335.9	4330.0	4590.6	5238.3	5915.7	(2601.9)	(2747.9)	(3196.4)	(3579.8)
OCT	1927.7	2026.2	2226.3		4880.4	5146.2	5852.8		(2952.7)	(3120.1)	(3626.4)	
NOV	2099.4	2207.3	2430.4		5392.3	5696.0	6534.7		(3292.9)	(3488.8)	(4104.3)	
DEC	2275.8	2412.7	2663.8		5886.8	6242.8	7194.5		(3611.0)	(3830.1)	(4530.7)	

Source: Prepared by COPADES on the basis of Central Bank data derived from customs permits and forms.

GUATEMALA
FOB EXPORTS
Exports according to principal items
(US$ million)

COPADES
G-04
DECEMBER 2005

ITEM	STATUS TO SEP'04	STATUS TO SEP'05	CHANGE US$MM	CHANGE %
TOTAL	2,041.9	2,335.9	294.0	14.4
A. Traditionals	805.2	994.0	188.8	23.4
1.Coffee	287.4	419.7	132.3	46.0
2. Sugar	165.0	173.0	8.1	4.9
3. Banana	164.1	180.3	16.2	9.8
4. Cardamom	51.9	49.6	(2.3)	(4.4)
5. Petroleum	136.7	171.3	34.5	25.3
B. To Central America	829.5	912.8	83.3	10.0
1. El Salvador	368.0	405.4	37.4	10.2
2. Honduras	231.3	243.8	12.4	5.4
3. Costa Rica	116.9	131.3	14.4	12.3
4. Nicaragua	113.2	132.2	19.0	16.8
C. Non traditionals	407.2	429.2	22.0	5.4
1. Chemicals	76.5	80.8	4.3	5.6
2. Fruits and processed products	36.2	56.7	20.5	56.5
3. Flowers, plants and similar products	28.0	31.9	3.9	13.9
4. Vegetables and legumes	30.0	30.2	0.2	0.7
5. Shrimp, fish and lobster	3.3	4.6	1.4	41.5
6. Natural rubber	36.7	39.5	2.8	7.7
7. Honey Products	25.1	20.8	(4.3)	(17.1)
8. Food products	47.3	44.9	(2.3)	(5.0)
9. Sesame	12.8	14.2	1.5	11.6
10. Others	111.4	105.4	(6.0)	(5.4)

Source: Prepared by COPADES on the basis of Central Bank data derived from customs permits and forms.

GUATEMALA
CIF IMPORTS — **COPADES**
Imports according to main CUODE (Classification by economic use or destination) items (1) — **G-05**
(US$ million) — **DECEMBER 2005**

ITEM	STATUS TO SEP'04	STATUS TO SEP'05	CHANGE US$MM	CHANGE %
TOTAL	5,237.6	5,915.7	678.2	12.9
A. Consumer goods	1,650.4	1,763.2	112.8	6.8
1. Durable	456.3	451.3	(5.0)	(1.1)
2. Semi-durable	343.4	426.9	83.4	24.3
3. Non-durable	850.6	885.0	34.4	4.0
B. Raw materials and intermediate goods	1,634.0	1,764.6	130.7	8.0
1. For agriculture	189.2	196.7	7.5	4.0
2. For industry	1,444.8	1,567.9	123.1	8.5
C. Fuels and lubricants	735.4	1,018.5	283.1	38.5
D. Building materials	123.4	150.5	27.1	22.0
			3,527.0	
E. Capital goods	840.0	941.3	101.3	12.1
1. For agriculture	40.0	35.0	(5.0)	(12.5)
2. For industry and others	800.0	906.4	106.3	13.3
F. Transportation equipment	253.8	277.1	23.3	9.2
G. Miscellaneous	0.5	0.3	(0.2)	(32.9)

(1) Clasified for economic use or destination.
Source: Prepared by COPADES on the basis of Central Bank data derived from customs permits and forms.

GUATEMALA	**COPADES**
BALANCE OF THE PUBLIC EXTERNAL DEBT	**G-06**
(Million of US$)	**DECEMBER 2005**

	Dec-99	Dec-00	Dec-01	Dec-02	Dec-03	Dec-04	Oct-05
TOTAL	2631.4	2643.7	2925.0	3119.4	3467.2	3843.8	3733.4
Banco de Guatemala	126.4	102.8	91.3	81.0	70.4	2.3	1.8
Rest of the Public Sector	2505.0	2540.9	2833.7	3038.4	3396.8	3841.5	3731.6
A. MULTILATERAL ORGANISMS	1557.0	1614.8	1696.6	1916.9	1978.7	2092.2	2044.3
Banco de Guatemala	47.0	30.5	25.8	22.0	18.2	0.8	0.3
Rest of the Public Sector	1510.0	1584.3	1670.8	1894.9	1960.5	2091.4	2044.0
B. BILATERAL ORGANISMS AND GOVERNMENT	682.0	679.5	612.1	587.4	574.0	514.1	451.6
Banco de Guatemala	68.0	61.6	55.7	50.0	43.8	0.0	0.0
Rest of the Public Sector	614.0	617.9	556.4	537.4	530.2	514.1	451.6
C. PRIVATE BANKS	240.0	197.0	139.3	138.1	138.0	131.0	131.0
Banco de Guatemala	9.0	8.3	7.8	7.0	6.9	0.0	0.0
Rest of the Public Sector	231.0	188.7	131.5	131.1	131.1	131.0	131.0
D. OTHERS DEBT HOLDERS	152.4	152.4	477.0	477.0	776.5	1106.5	1106.5
Banco de Guatemala	2.4	2.4	2.0	2.0	1.5	1.5	1.5
Rest of the Public Sector (BONDS US$)	150.0	150.0	475.0	475.0	775.0	1105.0	1105.0

a/ preliminar balance.

Source: Prepared by COPADES, according to the information of Banco de Guatemala.

GUATEMALA — **COPADES**
AVERAGE OF NATIONAL BANKING SYSTEM LENDING AND BORROWING RATES — **G-07**
(Weighted average interest rates, at the last thursday of each month) — **DECEMBER 2005**

CONCEPT	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2001												
Lending Quetzal	19.87	19.70	19.38	18.92	19.29	19.29	19.49	19.11	18.87	18.36	18.30	17.92
Borrowing Quetzal	10.82	10.82	10.58	10.50	10.20	9.81	9.44	9.06	8.97	8.63	8.58	8.46
Current savings	5.38	5.19	5.12	5.12	4.75	4.61	4.40	4.40	4.37	4.11	4.19	4.12
Time deposits	15.21	15.11	14.65	14.34	13.90	13.43	12.82	12.14	11.63	11.41	11.06	11.32
Lending USD					10.60	10.12	10.15	10.20	9.62	9.23	9.17	8.80
Time deposits USD					6.16	6.29	6.23	5.92	5.00	5.34	5.05	5.40
2002												
Lending Quetzal	17.73	17.49	17.19	17.18	17.12	16.90	16.67	16.57	16.49	16.44	16.37	16.23
Borrowing Quetzal	8.40	8.19	8.01	7.86	7.75	7.63	7.39	7.31	7.27	7.13	7.08	6.91
Current savings	4.20	3.91	3.55	3.44	3.34	3.33	3.15	3.08	3.13	2.89	2.90	2.87
Time deposits	11.18	11.11	10.98	10.81	10.61	10.39	10.16	10.01	9.94	9.82	9.73	9.62
Lending USD	8.75	8.66	8.32	8.36	8.17	8.02	7.90	7.81	7.85	7.66	7.62	7.39
Time deposits USD	5.66	5.75	5.69	5.68	5.52	5.44	5.32	5.19	5.18	5.00	4.91	4.92
2003							**7.58**					
Lending Quetzal	16.05	15.91	15.75	15.62	15.28	15.23	14.83	14.74	14.53	14.47	14.33	14.20
Borrowing Quetzal	6.31	6.12	5.84	5.58	5.32	5.22	4.99	4.86	4.75	4.65	4.60	4.52
Current savings	2.54	2.38	2.25	2.26	2.10	2.12	2.01	1.96	1.93	1.94	1.85	1.84
Time deposits	8.99	8.71	8.31	7.98	7.57	7.49	7.22	7.04	6.91	6.83	6.76	6.70
Lending USD	7.27	7.33	7.31	7.28	7.21	7.21	7.15	7.03	6.95	6.89	6.86	6.82
Time deposits USD	4.70	4.67	4.50	4.42	4.32	4.27	4.22	4.09	4.04	3.96	3.93	3.91
2004												
Lending Quetzal	14.10	13.99	13.95	13.98	13.92	13.82	13.80	13.87	13.77	13.76	13.58	13.52
Borrowing Quetzal	4.48	4.43	4.39	4.41	4.46	4.41	4.42	4.50	4.77	4.52	4.56	4.54
Current savings	1.82	1.80	1.74	1.73	1.77	1.72	1.76	1.80	1.78	1.75	1.80	1.77
Time deposits	6.67	6.66	6.67	6.65	6.69	6.66	6.68	6.74	6.79	6.83	6.84	6.86
Lending USD	6.82	6.81	6.82	6.85	6.77	6.75	6.72	6.77	6.84	6.90	6.90	6.85
Time deposits USD	3.87	3.84	3.79	3.81	3.80	3.74	3.72	3.96	3.98	4.04	4.03	4.10
2005												
Lending Quetzal	13.55	13.54	13.50	13.14	13.13	13.14	13.01	12.98	12.88	12.79		
Borrowing Quetzal	4.56	4.58	4.53	4.57	4.59	4.62	4.58	4.35	4.60	4.65		
Current savings	1.74	1.73	1.74	1.69	1.71	1.77	1.72	1.70	1.70	1.80		
Time deposits	6.89	6.91	6.86	6.91	6.91	6.92	6.91	6.90	6.92	6.92		
Lending USD	6.93	7.03	7.03	7.09	7.13	7.15	7.18	7.21	7.23	7.23		
Time deposits USD	4.03	4.18	4.16	4.19	4.15	4.23	4.31	4.32	4.37	4.39		

Source: Office of Superintendent of Banks and Central Bank.

GUATEMALA | **COPADES**
BANKING SYSTEM, ENTIRE PORTFOLIO INTEGRATION | **G-08**
(in thousands of Quetzales) | **DECEMBER 2005**

	2000 December	2001 December	2002 December	2003 December	2004 December	2005 Sep
ENTIRE PORTFOLIO (1)	24,081,524	27,563,407	29,655,300	32,331,498	36,495,619	40,980,012
1. ACTIVE	22,828,711	25,460,955	26,829,294	30,052,052	35,310,182	39,709,179
1.1 Current	21,904,821	24,181,670	25,879,037	29,120,410	34,383,947	38,524,420
1.2 In arrears	923,890	1,279,285	950,257	931,642	926,235	1,184,759
2. DUE	1,252,813	2,102,452	2,826,006	2,279,446	1,185,437	1,270,833
2.1 In the process of being extended	100,911	77,064	84,094	99,973	92,330	116,074
2.2 Being collected through administrative action	409,363	610,861	735,683	664,815	312,797	340,505
2.3 Being collected through legal action	742,539	1,414,527	2,006,229	1,514,658	780,310	814,254
ENTIRE PORTFOLIO (1)	24,081,524	27,563,407	29,655,300	32,331,498	36,495,619	40,980,012
1. Loans without problems	21,904,821	24,181,670	25,879,037	29,120,410	34,383,947	38,524,420
(% / Total)	90.96%	87.73%	87.27%	90.07%	94.21%	94.01%
2. Loans with problems	2,176,703	3,381,737	3,776,263	3,211,088	2,111,672	2,455,592
(% / Total)	9.04%	12.27%	12.73%	9.93%	5.79%	5.99%
(percentage / Total)						
2.1.2 In arrears	3.84%	4.64%	3.20%	2.88%	2.54%	2.89%
2.2.1 In the process of being extended	0.42%	0.28%	0.28%	0.31%	0.25%	0.28%
2.2.2 Being collected through administrative action	1.70%	2.22%	2.48%	2.06%	0.86%	0.83%
2.2.3 Being collected through legal action	3.08%	5.13%	6.77%	4.68%	2.14%	1.99%

Source: Bank Supervisory Board.
(1) Includes private national banks, private foreign banks and State banks.

CHARTS (21 CHARTS)

Chart 1
Monthly Index of Economic Activity - MIEA - trend
Annual variation rate

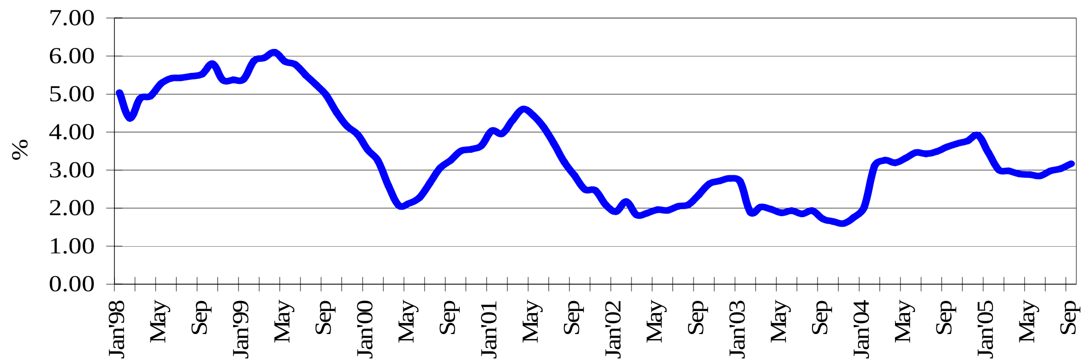


Chart 2
Total Exports - for the last 12 months

Chart 3
Total Imports - for the last 12 months

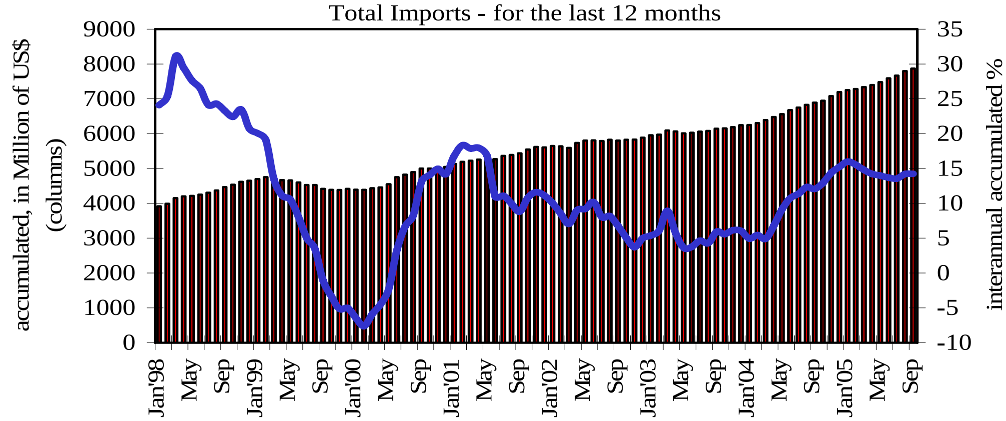


Chart 4
Trade Balance Gap - for the last months

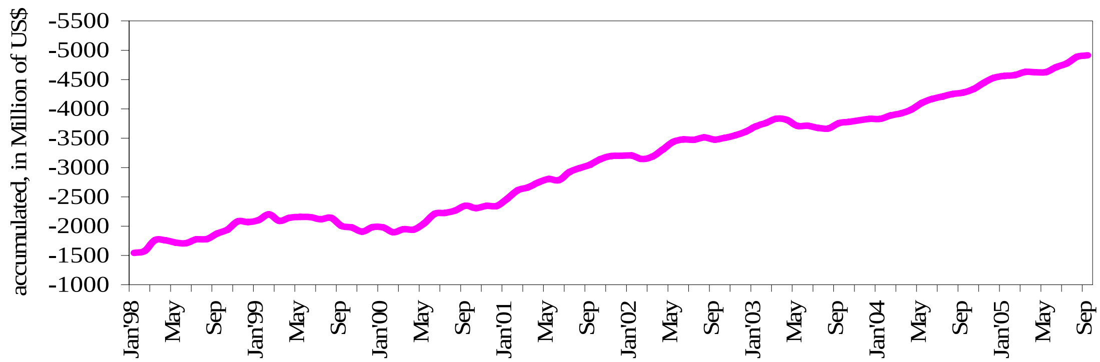


Chart 5
Private balance of foreign exchange, Exchange Markets (supply - demand)

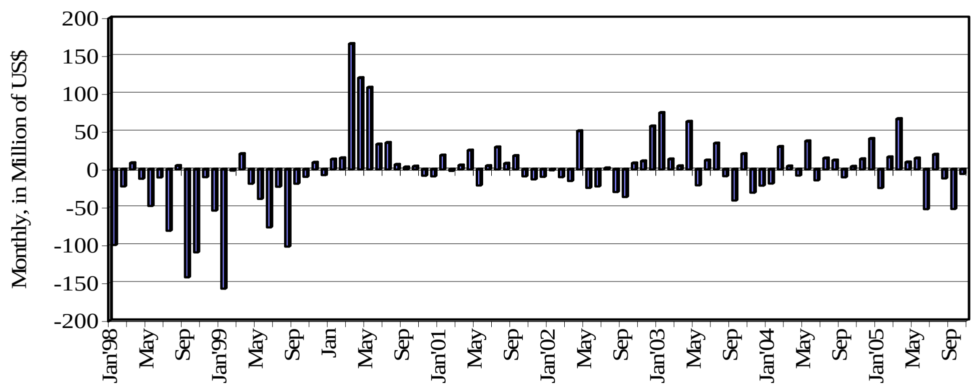


Chart 6
International Monetary Reserves (BANGUAT)

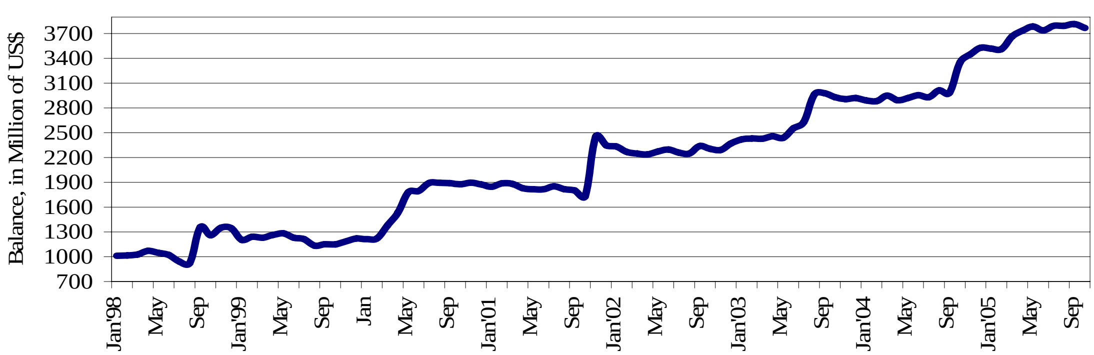


Chart 7
Net External Assets - NEA - (Banks)

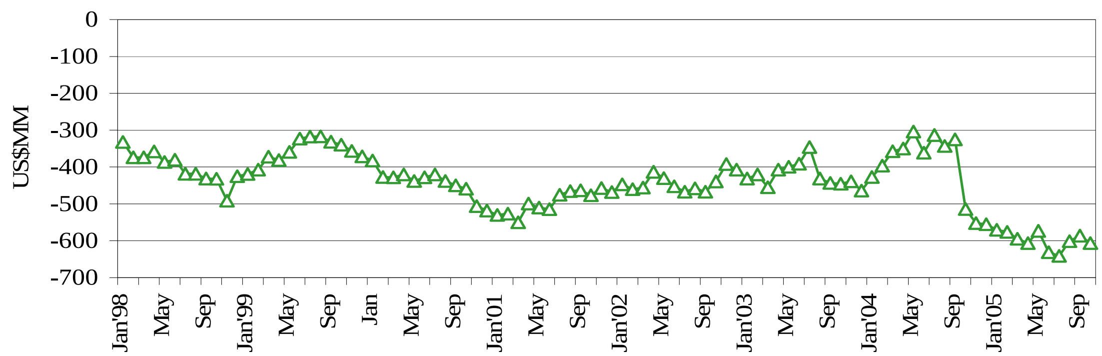
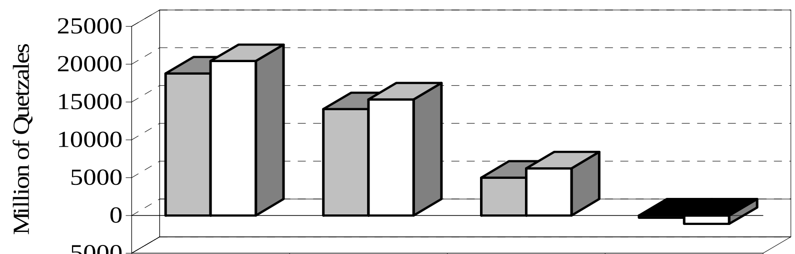
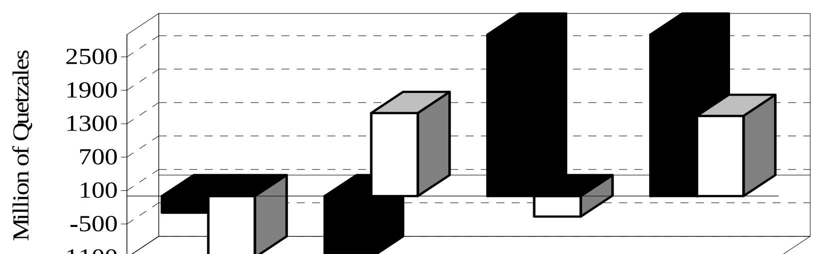


Chart 8
Central Gov. Budget Execution (Oct'05)



	Revenues	Operating Expenditures	Capital Expenditures	Fiscal Results
2004	18,768.7	14,065.3	5,000.3	-296.9
2005	20,414.9	15,325.8	6,214.1	-1,125.0

Chart 9
Central Gov. Financial Status (Oct'05)



	Fiscal Results	Net Internal Financing	Net External Financing	Financial Results
2004	-296.9	-2,625.4	2,922.3	4,579.6
2005	-1,125.0	1,492.8	-367.8	1,440.2

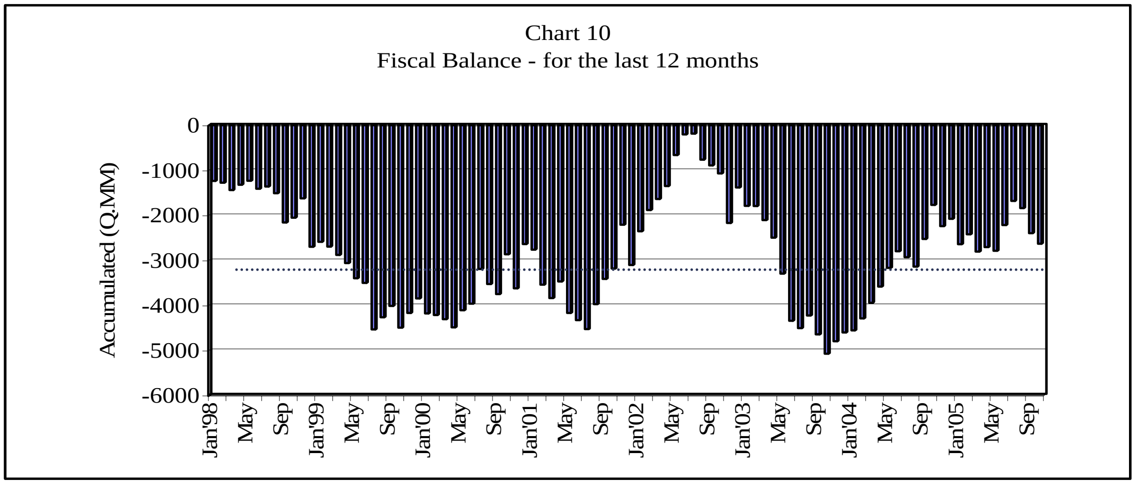


Chart 10
Fiscal Balance - for the last 12 months
Accumulated (Q.MM)
0
-1000
-2000
-3000
-4000
-5000
-6000
Jan'98
May
Sep
Jan'99
Jan'00
Jan'01
Jan'02
Jan'03
Jan'04
Jan'05

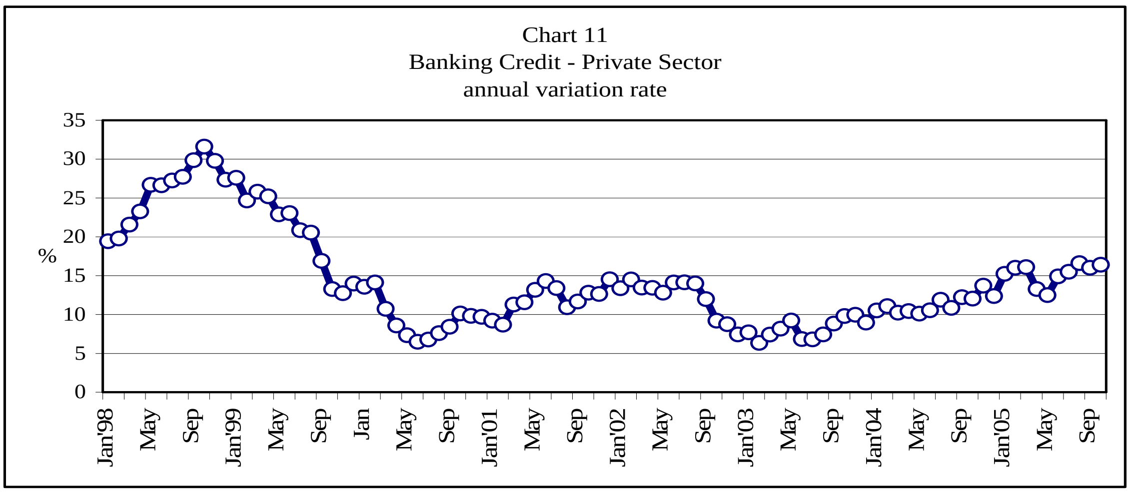


Chart 11
Banking Credit - Private Sector
annual variation rate
%
35
30
25
20
15
10
5
0
Jan'98
May
Sep
Jan'99
Jan
Jan'01
Jan'02
Jan'03
Jan'04
Jan'05

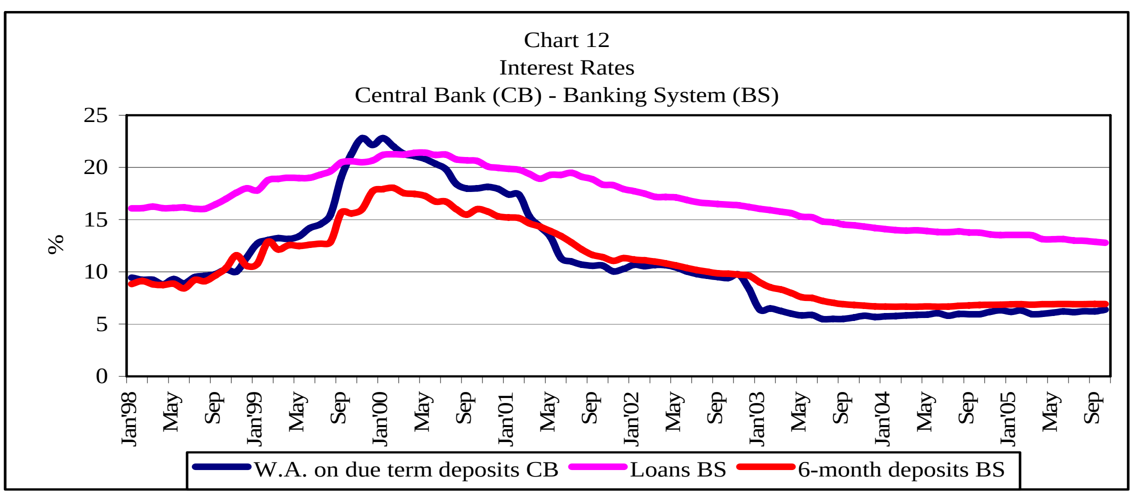


Chart 12
Interest Rates
Central Bank (CB) - Banking System (BS)
%
25
20
15
10
5
0
Jan'98
May
Sep
Jan'99
Jan'00
Jan'01
Jan'02
Jan'03
Jan'04
Jan'05
W.A. on due term deposits CB
Loans BS
6-month deposits BS

Chart 13
Open Market Operations (OMO's) of Central Bank

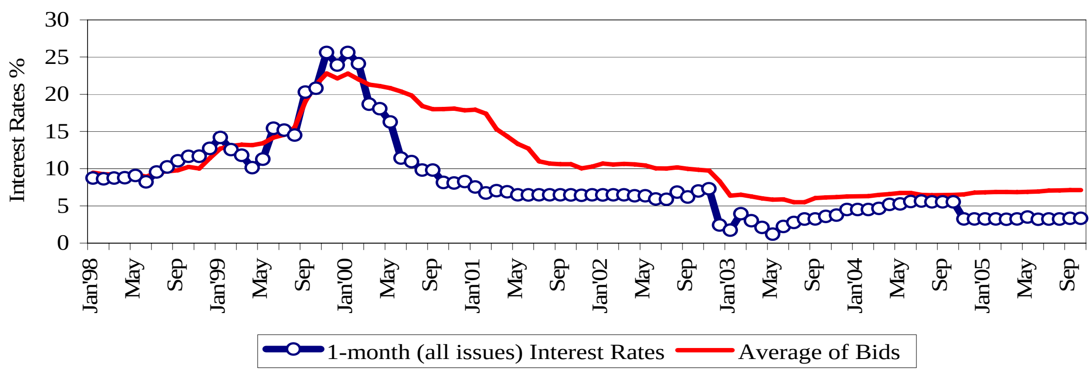


Chart 14
Portfolio with problems - for the last months
Banking System

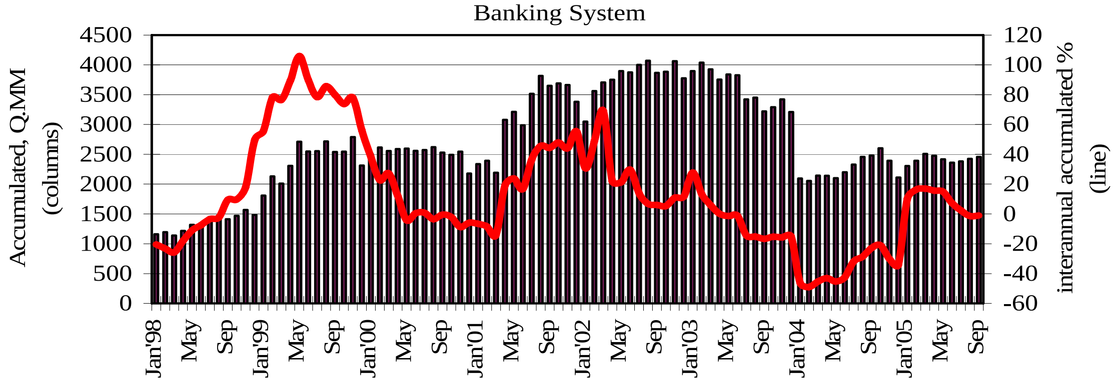
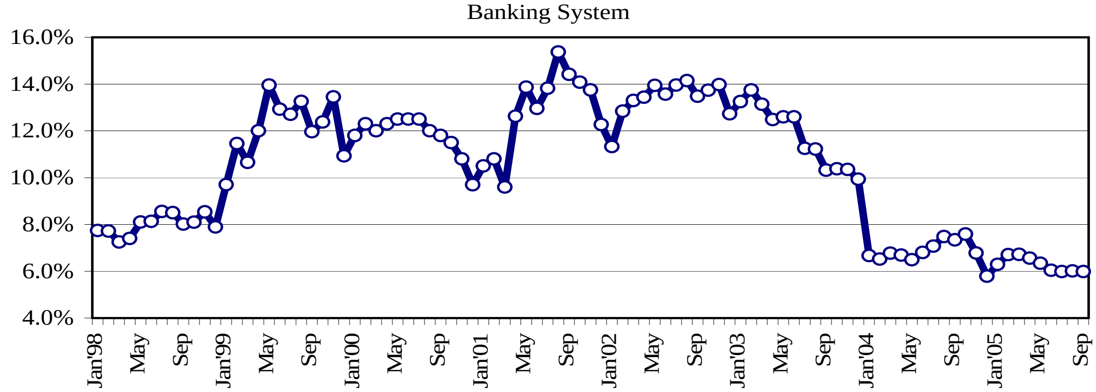


Chart 15
Percentage of Portfolio with problems / Total Portfolio
Banking System



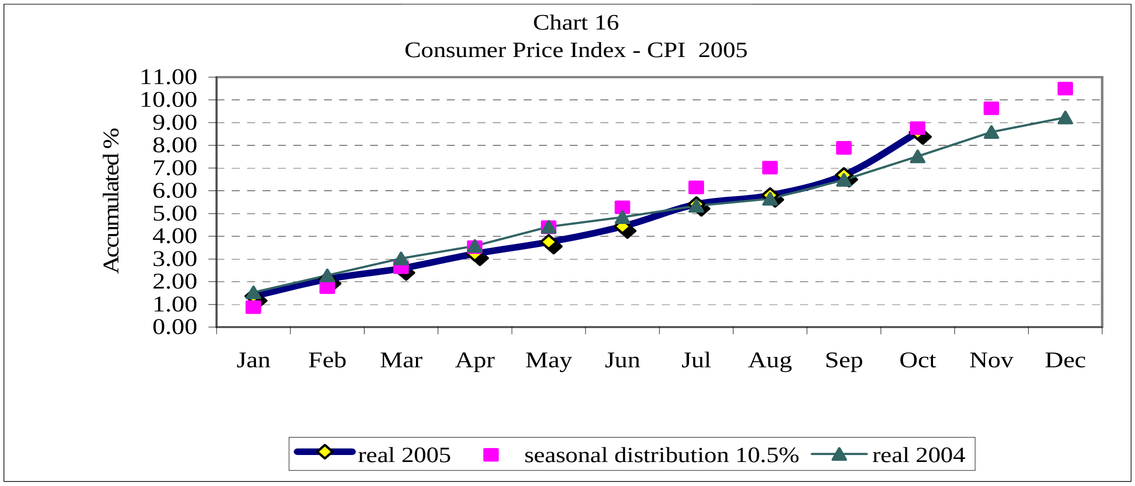


Chart 16
Consumer Price Index - CPI 2005
Accumulated %
11.00
10.00
9.00
8.00
7.00
6.00
5.00
4.00
3.00
2.00
1.00
0.00
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
real 2005
seasonal distribution 10.5%
real 2004

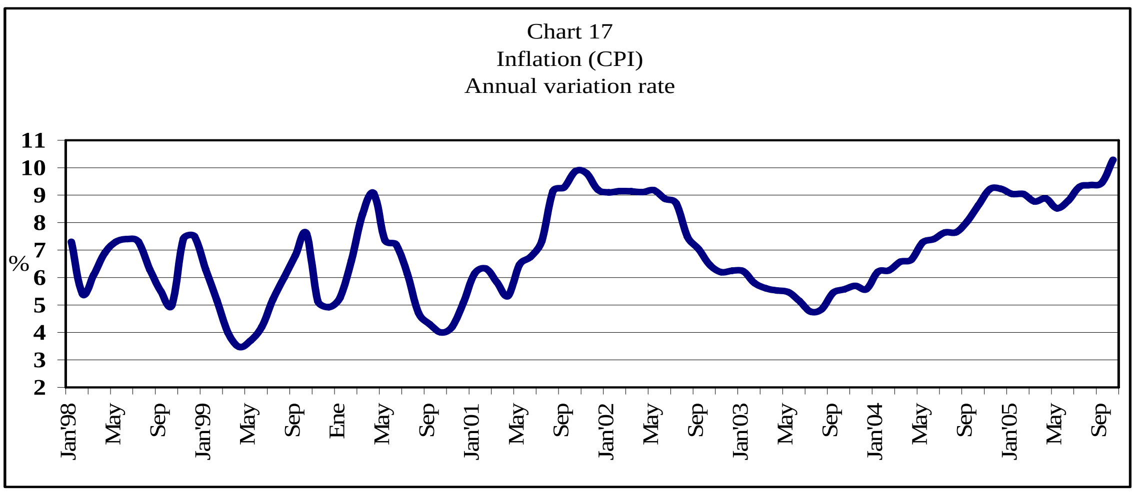


Chart 17
Inflation (CPI)
Annual variation rate
%
11
10
9
8
7
6
5
4
3
2
Jan'98
May
Sep
Jan'99
May
Sep
Ene
May
Sep
Jan'01
May
Sep
Jan'02
May
Sep
Jan'03
May
Sep
Jan'04
May
Sep
Jan'05
May
Sep

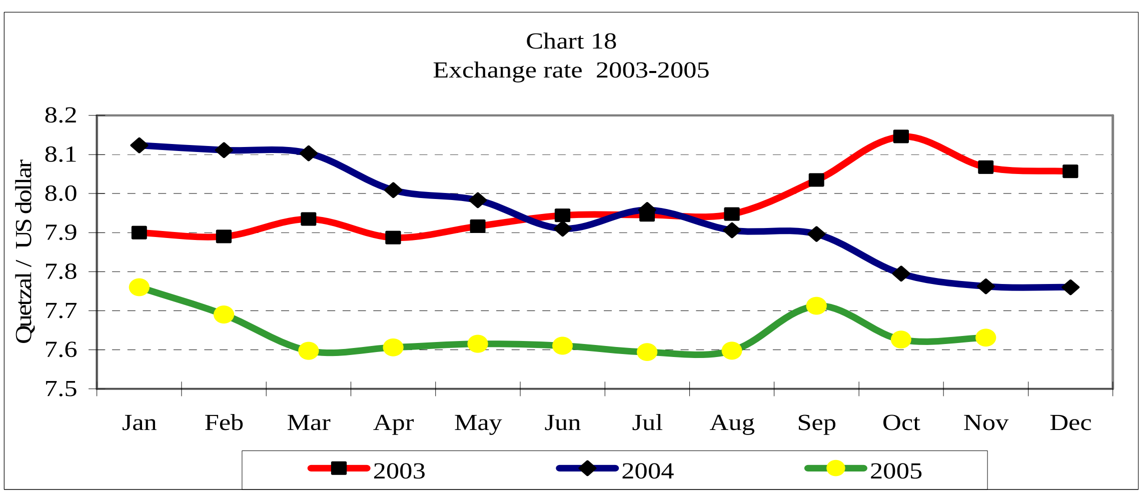


Chart 18
Exchange rate 2003-2005
Quetzal / US dollar
8.2
8.1
8.0
7.9
7.8
7.7
7.6
7.5
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
2003
2004
2005

Chart 19
Devaluation (Q/US$1.00)
Annual variation rate

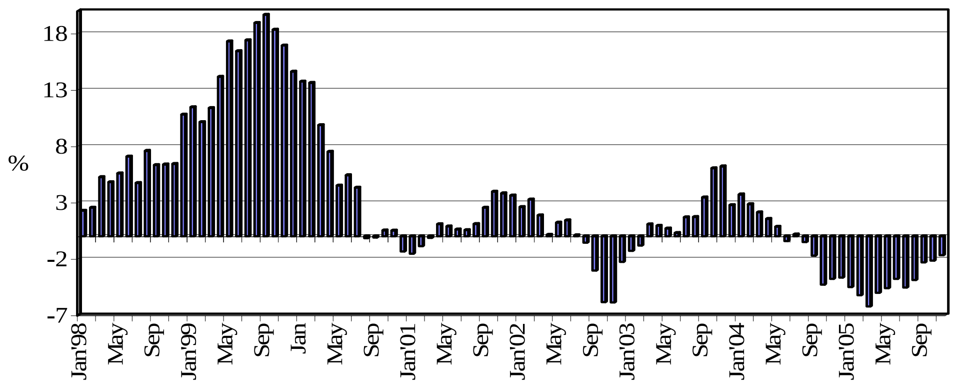


Chart 20
Competitiveness and Parity of the Loan rates (ex-post)
Percentage Points of Differential between Domestic currency and US Dollar

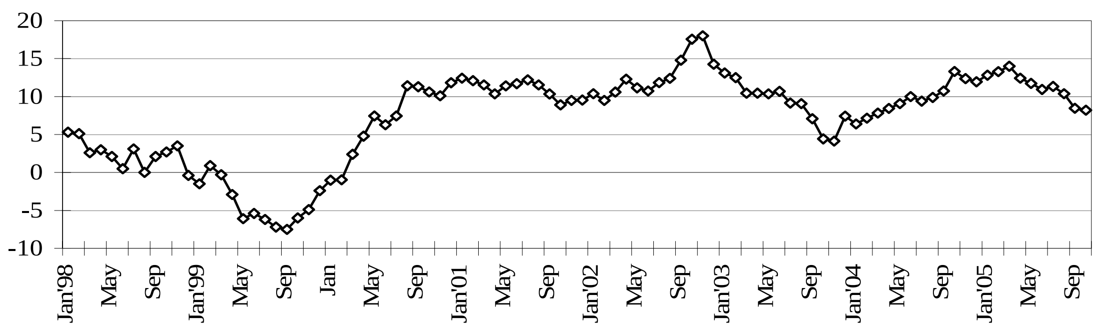
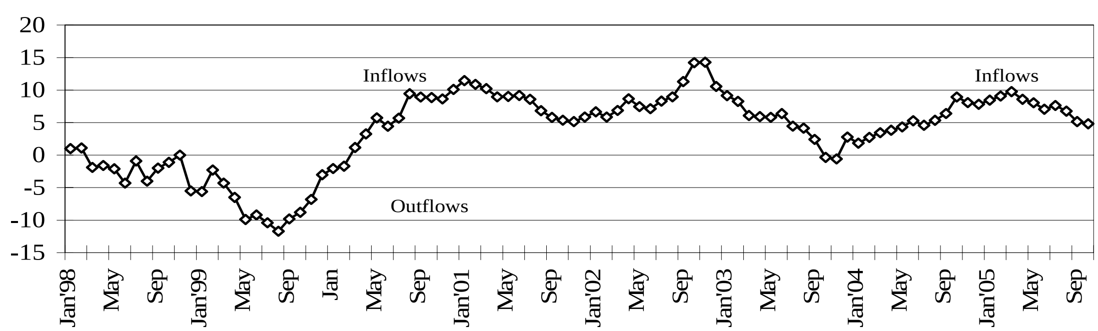


Chart 21
Competitiveness and Parity of the Investment rates (ex-post)
Percentage Points of Differential between Domestic Currency and US Dollar



SPECIAL ANNEX

1. GUATEMALAN RELEVANT & RECENT NEWS (Oct-2005). Copades based on media and releases.

- **G&T Bank creates loan fund of Q592 million**

Approximately Q592 million is the fund created by G&T Continental Bank to give loans to the private sector in Central America. The funds come from a loan for US$78 million obtained in the international market. (SV 18.11.05)

- **Banks earned 15% more in September 2005**

The national bank system reported a rise in its earnings of September (Q Q1.26 billion), 15% more than the previous month, as disclosed in the last report published by the Banks Examining Office (BEO). Among the most important bank activities in the income statement, stand out the income for services, which grew Q54 million, and the non-recurring expenses dropped Q2 million in the same period. (PL 2.11.05)

- **Banguat Increases Anti-Inflation Rate**

Bank of Guatemala confirmed that as of Monday, November 21, the interest rate would be increased from 3.75% to 4% to the institutions investing in 7-day CD's. (PL 19.11.05)

- **Banistmo, Interested in Arriving to Guatemala**

Banco del Istmo (Banistmo) of Panama, the largest financial group in the area, has purchased up to 60% of the stock of Banco Salvadoreño, and now is aiming to land in the Guatemalan market. (PL 16.11.05)

- **LAEC estimates losses for Q7.47 billion caused by Stan**

The Latin American Economic Commission (LAEC) presented the Government with a diagnosis of damages and losses caused by the tropical storm Stan, for Q7.47 billion. Losses in social, productive aspects and infrastructure are estimated in Q4.31 billion; housing, education, and health report damages for Q586.7 million and Q544.6 in losses. In the productive and tourist sector, losses amount to Q1.74 billion. The estimate provided by LAEC for the reconstruction of the country is Q2.8 billion. (PL 9.11.05)

- **Strong Impact of Transfers to Families in Business Reactivation**

More and more, remittances to Guatemala from family and friends living abroad continue to reactivate businesses and small companies using funds to invest in agricultural capital, or to extend their manufacturing capacities, generating up to 100 thousand jobs every year, as disclosed by a *Survey on 2005 Remittances and Micro Companies,* issued by the International Organization for Migration (IOM). (PL 2.11.05)

- **CAFTA Not Requiring New Taxes**

Standard & Poor's (S&P), a credit ratings company, in a recent report, recommended to strengthen the Government's income to face the challenges of the CAFTA entered into with the USA, but not necessarily by increasing taxes. (PL 23.11.05)

2. FINANCIAL ANALYSIS OF CENTRAL BANK RESERVES (Nov.11,2005).

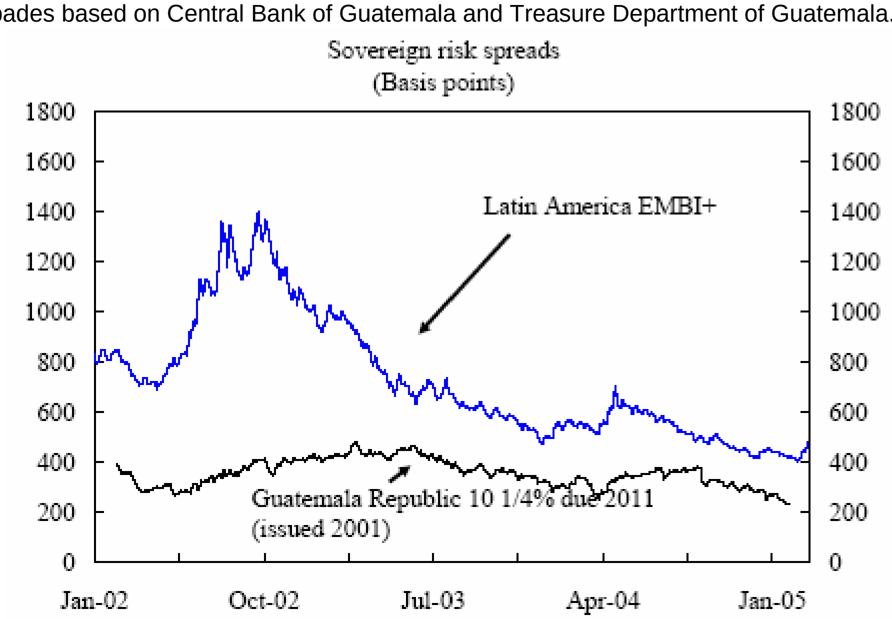
		Annualised Interest rate			
Period		***Financial Liquidity***		***Portfolio***	
2nd Quaterly		2.86%		3.09%	
July		3.15%		1.93%	
August		3.41%		3.95%	
September		3.52%		2.08%	
3rd Quaterly		3.36%		2.65%	
US$Million		**International Monetary Reserves September-30-05**			
Total Reserves	***Others***	***Financial Liquidity***		***Portfolio***	
3,815.3	137.5	123.5		3,554.3	
Instruments of…		**Credit rating, Sep. 30, 2005**			
		Short Term		***Long Term***	
		Standard & Poor's	**Moody's**	**Standard & Poor's**	**Moody's**
Government		A-1+ A-1	P-1	AAA AA+ AA AA-	Aaa Aa1 Aa2 Aa3
Banking		A-1+ A-1	P-1		
Source: Copades based on Central Bank of Guatemala.					

3. ANALYSIS OF CENTRAL BANK ABOUT GUATEMALAN BONDS (sep-2004).

On September 29, 2004, Guatemala placed US$330 million in the Eurobonds Market for a term of 30 years (2034) at 8.125%. The great demand of this debt converted into bonds by the investors (67% U.S. citizens, 17% European citizens, and 16% Guatemalan and regional investors) reduced the coupon to 8.125% from the 8.375%-8.500% estimated at the beginning, and US$30 million more than expected were honored.

This is the lowest coupon in the history of offshore placements of debt converted into bonds. Despite the adverse economic conditions in the international markets (oil price, pre-electoral period in the U.S.A., and market instability as a result of the inherent volatility to the emerging markets of Latin America), there was a significant reduction of the spread of the Guatemalan bonds denominated in US$ and the U.S. bonds (benchmark rate), both in regard to other previous placements, and to those of other issuers.

Source: Copades based on Central Bank of Guatemala and Treasure Department of Guatemala.



Source: International Monetary Fund. 2005 Article IV Consultation – Staff Report.

4. BID IN TDUS$ AND TDQUETZALES.

Bank of Guatemala's bids to financial institutions. Results of operations. (Time Deposits – TD's) AS OF NOVEMBER, 2005:

- 90-day TDUS$ (3 months) at 3.05%. Declared void.
- 336-day TDUS$ (11 months) at 3.89%. Declared void. 7-day TD in Quetzales at 7-day TD in Quetzales at 3.75%. Several mobilizations in the MED and the stock exchange
- 91-day TD in Quetzales (at 4.97% - November, 17-)
- 182-day TD in Quetzales (5.32% - November, 17-)
- 364-day TD in Quetzales (6.29% - November, 17-)
- 728-day TD in Quetzales (7.10% - November, 17-)
- 1456-day TD in Quetzales (4 years at 7.95% - November, 17-)
- 2184-day TD in Quetzales (6 years at 7.70% - November, 17-)
- 2912-day TD in Quetzales (8 years at 8.28% - November, 17-)
- Payment of interest for terms longer than one year is made every six months.

Source: Copades 2005 and Central Bank Committee (#59-2005). November, 18.

5. COUNTRY RISK ACCORDING TO MOODY'S AND STANDARD & POOR'S

Latin America: Risk Country Ratings; Long Term in Foreign Currency	Sep-04	Dec-04	Mar-05	Jun-05	Sep-05	Sep-04	Dec-04	Mar-05	Jun-05	Sep-05
	Standard & Poor's					**Moody's**				
Costa Rica	BB	BB	BB	BB	**BB**	Ba1	Ba1	Ba1	Ba1	**Ba1**
El Salvador	BB+	BB+	BB+	BB+	**BB+**	Baa3	Baa3	Baa3	Baa3	**Baa3**
Guatemala	BB-	BB-	BB-	BB-	**BB-**	Ba2	Ba2	Ba2	Ba2	**Ba2**
Honduras	-.-	-.-	-.-	-.-	**-.-**	B2	B2	B2	B2	**B2**
Nicaragua	-.-	-.-	-.-	-.-	**-.-**	Caa1	Caa1	Caa1	Caa1	**Caa1**
Rep. Dominicana	CC	CC	-.-	B	**B**	B3	B3	B3	B3	**B3**
México	BBB-	BBB-	BBB	BBB	**BBB**	Baa2	Baa2	Baa1	Baa1	**Baa1**
Panamá	BB	BB	BB	BB	**BB**	Ba1	Ba1	Ba1	Ba1	**Ba1**
Brasil	BB-	BB-	BB-	BB-	**BB-**	B1	B1	B1	B1	**B1**
Argentina	-.-	-.-	-.-	B-	**B-**	Caa1	Caa1	Caa1	B3	**B3**
Source: Central American Monetary Center.										

As of June 2005, as per the S&P ratings, an investment rating is granted in Latin America to both Chile and Mexico of all 16 countries that have been evaluated in the region; on the other hand, Moody's has granted investment rating to Chile, Mexico, and El Salvador.

Investment Rating

Moody's	**Standard & Poor's**
Aaa	AAA
Aa1	AA+
Aa2	AA
Aa3	AA-
A1	A+
A2	A
A3	A-
Baa1	BBB+
Baa2	BBB
Baa3	BBB-
Investment Sub-Rating	
Ba1	BB+
Ba2	BB
Ba3	BB-
B1	B+
B2	B
B3	B-
Caa1	CCC+
Caa2	CCC
Caa3	CCC-
Ca	CC
C	C
	D

- Credit rating of the operations in both domestic and international markets, allowing investors to learn of the risk scales of institutions.

Central America: Credit risk ratings for some banks in the region	Country	Jun-05			Sep-05		
		S&P *		Fitch	S&P *		Fitch
		Local Currency	Foreign Currency		Local Currency	Foreign Currency	
Banco Agrícola, SA	ES	BB/stable	BB/stable	BB/stable	BB/stable	BB/stable	BB/stable
Banco Cuscatlán, SA	ES	BB/stable	BB/stable	BB/negative	BB/stable	BB/stable	BB/negative
Banco Internacional de Costa Rica, SA	CR		BB/negative			BB/negative	
Source: Central American Monetary Council.							

* Credit rating of the issuer/counterpart.
Remarks: Fitch improves rating Banco Industrial de Guatemala (Aug, 2005) from "A" to "A+" for long-term investments, and from F2 to F1, for short-term investments. And, Fitch gives good rating to Banco de Occidente de Guatemala (Aug, 2005), of F2 of F2 for its short-term investments, and A- to long-term investments.

- The rating scale given by analysts (expert economists and analysts of sovereign risk of the leading global banks) ranges from 0 to 100, being 100 the rating of such countries, which are less likely to default.

Latin America: Risk Country Ratings; Long Term in Foreign Currency	Sep-04	Mar-05	Sep-05	Change, last six months
Costa Rica	50.1	50.4	50.1	-0.3
El Salvador	46.8	46.7	47.6	0.9
Guatemala	39.6	40.1	41.5	1.4
Honduras	30.6	27.6	28.9	1.3
Nicaragua	21.7	20,6	23.1	2.5
Dominican Republic	26.3	26.5	25.5	-1.0
México	60.0	61.6	63.0	1.4
Panama	49.9	50.6	50.1	-0.5
Brazil	42.6	46.7	48.2	1.5
Argentina	22.2	20.1	26.4	6.3
Source: Institutional Investor International and Central American Monetary Council.				

Remarks: Institutional Investor rates Guatemala as the best improved country in its risk-country rating since 2003. Source: Mesa para la Calificación de Riesgo-País. Guatemalan Official Project.

6. GLOBAL ECONOMIC PROSPECTS OF WORLD BANK (2005).

Trade and Competitiveness Brief

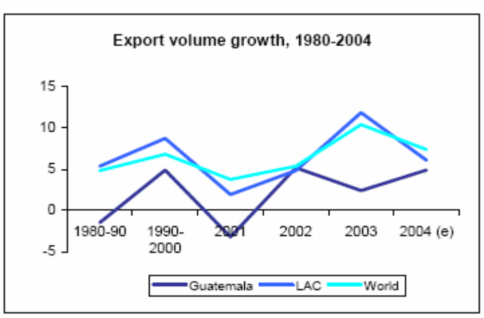
Guatemala

www.worldbank.org/globaloutlook

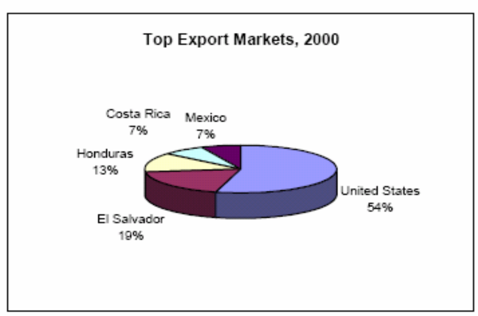
	Average 1980-90	Average 1990-2000	2002	2003	2004	2005 (e)
Trade performance						
Current US$ billions, unless indicated otherwise						
Exports, goods and services	1.4	2.7	3.8	4.0	4.5	4.6
Imports, goods and services	1.6	3.7	6.5	6.9	8.0	8.1
Balance on goods and services trade	-0.3	-1.0	-2.6	-2.9	-3.4	-3.5
Current Account Balance	-0.3	-0.7	-1.2	0.2	0.0	0.1
as share of GDP (percent)	-3.7	-4.5	-5.3	0.8	0.1	0.4
Annual percent change						
Exports, goods and services	-0.8	9.2	-2.7	5.2	12.4	2.4
Export price, expressed in US$	-0.3	11.4	6.8	6.7	15.5	2.1
Imports, goods and services	0.6	4.2	0.6	0.0	9.7	-2.4
Import price, expressed in US$	1.7	1.9	2.5	3.7	11.1	-3.0
Trade integration[1]						
Share of world's exports (percent)[2]	0.1	0.0	0.0	0.05	0.04	0.04
Share of LAC exports	1.2	1.0	1.7	1.68	1.62	1.53
LAC: Latin America & Caribbean						
Trade competitveness						
Annual percent change, unless indicated otherwise						
World exports goods & services (current US$)	6.2	6.4	5.1	14.1	19.5	11.9
Guatemala's export-market growth (3)	5.1	9.4	2.3	11.1	17.1	6.6
Guatemala exports	-0.8	9.2	-2.7	5.2	12.4	2.4
World export price (expressed in US$)	1.3	-0.4	1.3	8.3	8.3	4.2
Competitors' export price[4]	1.7	0.2	-1.1	6.4	9.0	1.0
Guatemala export price	0.6	4.2	0.6	0.0	9.7	-2.4
World exports goods & services (constant US$)	4.8	6.8	3.8	5.4	10.4	7.4
Guatemala's export-market growth (3)	5.4	8.7	0.7	6.9	10.9	6.8
Guatemala exports	-1.5	4.9	-3.2	5.2	2.4	4.9
Exchange rate (against US$)	1.8	6.0	7.8	7.9	8.3	8.6
Annual percent change (in US$)	-13.9	-5.3	0.5	-1.5	-4.8	-3.4

Main Markets

Top-5 sources (2000)		Top-5 markets (2000) $bn	
United States	$1.94	United States	$0.97
Mexico	$0.57	El Salvador	$0.34
El Salvador	$0.31	Honduras	$0.23
Venezuela	$0.26	Costa Rica	$0.13
Costa Rica	$0.20	Mexico	$0.12



Export volume growth, 1980-2004



Top Export Markets, 2000

Prospects for the Global Economy
Global Economic Prospects 2005