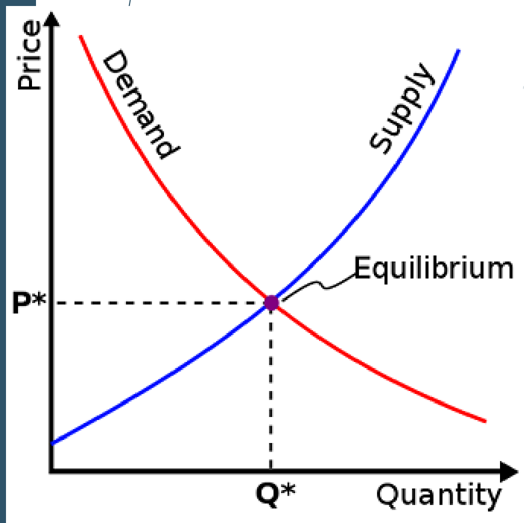
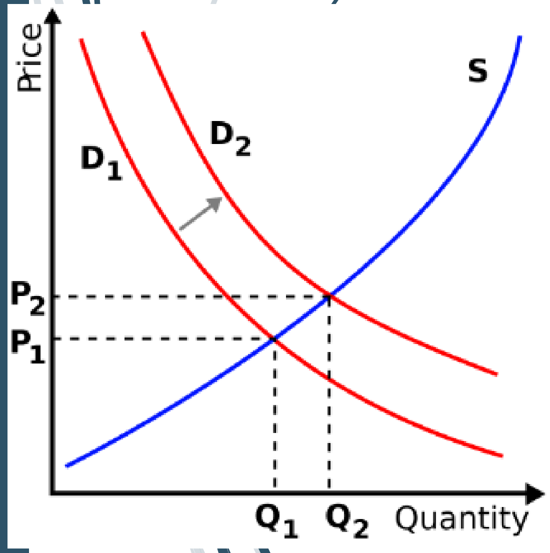
Economy

Macroeconomics

- **Macroeconomics** analyzes overall economic issues such as employment, inflation, productivity, interest rates, the foreign trade deficit, and the federal budget deficit, and examines the effect that employment or inflation is likely to have on the economy. It is the study of economic activity by looking at the economy ***as a whole***.
- Some examples of business that will be part of the macroeconomics field are Toyota, McDonald's, etc. Because those are business with branches on several countries worldwide, those are affected by factors like national politics, currency exchange, etc.

Microeconomics





- Microeconomics is the study of decision making by small economic units, including individuals, households, businesses, and industries. Microeconomics examines issues such as pricing, supply, demand, costs, and revenues.
- Microeconomic theory uses formal models that attempt to explain and predict, using simplifying assumptions, the behavior of consumers and producers, and the allocation of resources arising as a result of their interaction in the market. This applies to every business like warehouses, family drugstores because they have less than ten workers.

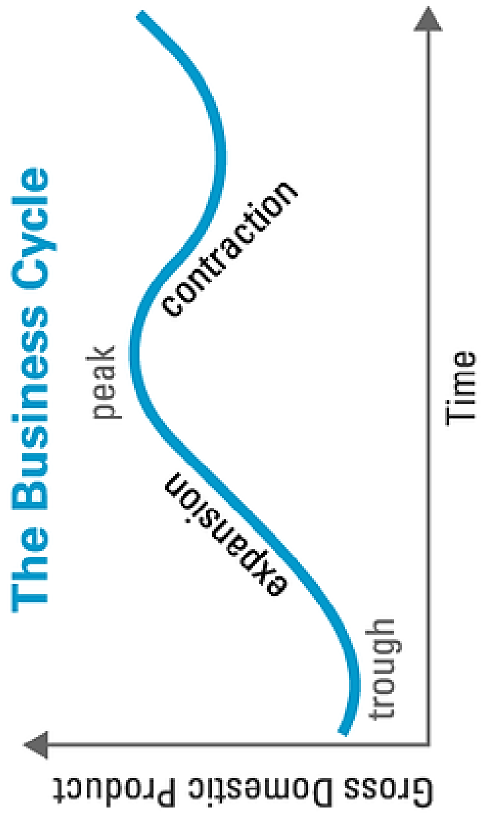
Important Notes

- The bottom line is that microeconomics takes a bottoms-up approach to analyzing the economy while macroeconomics takes a top-down approach. Regardless, both micro- and macroeconomics provide fundamental tools for any finance professional and should be studied together in order to fully understand how companies operate and earn revenues and thus, how an entire economy is managed and sustained.
- **Inflation** is defined as the sustained increase in the general level of prices for goods and services. It is measured as an annual percentage increase. As inflation rises, every bill you own buys a smaller percentage of a good or service)

ISI

- A very important policy in the economic framework for Latin America was the introduction of the model of import substitution industrialization (ISI), during 1950 and 1970. This policy was based on local production of products hitherto imported, i.e. to make oneself manufactures its economy acquired abroad.
- This industrialization model however did not reduce the volume of imports, but simply changed the type of imports. Before importing the full right, no matter what it takes to produce it.

GDP and GNP



- **Gross Domestic Product (GDP)** is the total market value of all final goods and services produced in a country in a given year, equal to total consumer, investment and government spending, plus the value of exports, minus the value of imports.
- **Gross national product (GNP)** is the market value of all the products and services produced in one year by labor and property supplied by the citizens of a country. Unlike gross domestic product (GDP), which defines production based on the geographical location of production, GNP suggested it allocated production based on location of ownership.

Guatemalan Economy

- Guatemala is the most populous of the Central American countries with a GDP per capita roughly one-half that of the average for Latin America and the Caribbean. Guatemala's economy is dominated by the private sector, which generates about 90% of GDP. Agriculture contributes 13.4% of GDP and accounts for 26% of exports.
- Over the past several years, tourism and exports of textiles, apparel, and nontraditional agricultural products such as winter vegetables, fruit, and cut flowers have boomed, while more traditional exports such as sugar, bananas, and coffee continue to represent a large share of the export.

Guatemalan Economy

- The 1996 peace accords, which ended 36 years of civil war, removed a major obstacle to foreign investment, and since then Guatemala has pursued important reforms and macroeconomic stabilization. The Central American Free Trade Agreement (CAFTA) entered into force in July 2006 spurring increased investment and diversification of exports.
- The USA is the country's largest trading partner, providing 36.5% of Guatemala's imports and receiving 40.7% of its exports. The government has its business activities limited to public utilities (some privatized now) such as: ports and airports, and several financial institutions.

Guatemalan Economy

- The United States, along with other donor countries especially France, Italy, Spain, Germany, and Japan and the international financial institutions, have increased development project financing since the signing of the peace accords. However, donor support remains contingent upon Guatemalan Government reforms and counterpart financing.

Guatemalan Economy

- According to the World Bank, Guatemala has one of the most unequal income distributions in the hemisphere. The wealthiest 20% of the population consumes 51% of Guatemala's GDP. As a result, about 51% of the population lives on less than $2 a day and 15% on less than $1 a day. Guatemala's social development indicators, such as infant mortality, chronic child malnutrition, and illiteracy, are among the worst in the hemisphere.
- The economy contracted in 2009 as export demand from US and other Central American markets fell and foreign investment slowed amid the global recession.