



BANCO DE GUATEMALA

PRESS RELEASE

THE MONETARY BOARD KEEPS THE LEVEL OF THE LEADING INTEREST RATE OF THE MONETARY POLICY INVARIABLE AT 7.25%.

The Monetary Board, in its session celebrated on October 22, 2008, after being informed of the Inflation Risks Balance, the orientation of the indicative variables and the results of the mechanical running of the Semi-structural Macroeconomic Model for 2008, decided by majority to keep the level of the leading interest rate of the monetary policy invariable at 7.25%.

The Monetary Board highlighted several elements that suggest keeping the level of the leading interest rate invariable at this time: a) the intensification of the turbulence in the international financial markets widened the uncertainty margins regarding world economic performance and its effects in developing economies, which suggest caution in the monetary policy actions; b) the international oil, corn and wheat prices have reduced recently, situation that could cause a deceleration of the total inflationary rhythm; c) that to September 2008 public finances registered a reduced deficit of Q97.6 million; d) that the inter-annual variation of the banking credit to the private sector and the payment means continue decelerating and are below the lower limit of the runners; and, e) that the monthly variation of the Consumer Price Index in September, at -0.15%, constitutes the third consecutive fall this year.

In the heart of the Monetary Board there was consensus in that the inflation risks balance continues to be complex and that they must keep in mind that observed inflation as well as inflation forecasts are over the inflation target. In that sense, the Monetary Board highlighted that although caution is advised at this time to keep the leading interest rate invariable, it is important to continue observing the evolution of the inflation risks balance of the internal and external environments, in order to establish changes and orientation next month, where it was particularly relevant to monitor the inflation expectations, the inflation forecasts and the observed inflation.

Guatemala, October 22, 2008

A month behind, a summary of the arguments presented in each session of the Monetary Board, where the leading interest rate of the Monetary Policy is decided, will be able to be consulted on the web page of the Banco de Guatemala at www.banguat.gob.gt