



BANCO DE GUATEMALA

PRESS RELEASE

THE MONETARY BOARD REDUCES THE LEVEL OF THE LEADING INTEREST RATE OF THE MONETARY POLICY BY 25 BASIC POINTS

The Monetary Board, in its session celebrated January 28, 2009, after being informed of the Inflation Risks Balance, the mechanical running of the Semi-structural Macroeconomic Model, the orientation of the indicative variables and of doing an integral analysis of the external and internal situation, decided to reduce the level of the leading interest rate of the monetary policy from 7.25% to 7.00%.

The Monetary Board in its analysis considered that the international prices of oil, corn and wheat have been falling and is being reflected in internal prices; that the reduction forecast in the world economic growth rhythm could cause an inflation deceleration in the present year; that the inflation observed in December 2008 was lower than expected; and, that the inflation forecasts of the Semi-structural Macroeconomic Model are within the tolerance margin and with a low trajectory.

The Monetary Board emphasized the fact that the adopted measures to give additional liquidity, in national as well as foreign currency to the banking system, the decrease registered in November and December of the Central Government deposits in the *Banco de Guatemala*, the result of more dynamic spending and the gradual reduction of the leading interest rate, are the factors that help create conditions to begin cost reduction of the banking credit to productive sectors.

In the heart of the Monetary Board there was consensus in that the inflation risks balance relatively improved regarding that of the previous month, so in the measure that inflation continues to converge toward the target, could give a more flexible policy position.

Guatemala, January 28, 2009

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.banquat.gob.gt