



BANCO DE GUATEMALA

PRESS RELEASE

THE MONETARY BOARD DETERMINES THE MONETARY, FOREIGN EXCHANGE RATE AND CREDIT POLICY FOR 2011

The Monetary Board in its December 23, 2010 session; heard the perspectives on domestic and foreign economic performance and decided, by unanimity, to determine the monetary, foreign exchange rate and credit policy for 2011.

The Monetary Board in its analysis considered that worldwide economic growth in 2010 evolved favorably throughout the year, increasing 4.8%, although it has been unequal among countries and regions. In the same manner, world economic growth for 2011 is projected at 4.2%, mainly due to the high levels of unemployment that advanced economies still face, as well as the withdrawal of political stimulus, and that world inflation projections expect them to remain low, in general, due to idle installed capacity and high unemployment rates.

Domestically, the national economy has continued to grow. Evidence shows sustained recovery in foreign commerce, family remittances, income tax, as well as the banking credit to the private sector, trajectory that is forecast to continue in 2011, given that the growth perspectives of foreign demand of the main commercial partners of Guatemala are favorable, situation that cooperates in the achievement of economic growth of between 2.6% and 3.2%.

In that context, and taking into account that the establishment of short and medium term targets facilitates the anchoring of the expectations for economic agents, the Monetary Board established the following inflation targets:

The Monetary Board also resolved that the *Banco de Guatemala* will continue using the leading interest rate in order to make known the monetary policy position and that the operations for monetary stabilization will continue to be the central instrument to moderate primary liquidity. For the regulation of liquidity conditions in the short term, the *Banco de Guatemala* will hold neutralization and liquidity giving operations starting on June 1, 2011.

The exchange policy approved for 2011, established that the *Banco de Guatemala* will participate in the exchange market, in order to moderate the volatility of the exchange rate without affecting its trend, according to the exchange participation rule, which fluctuation margin widened from 0.5% to 0.6%.

The Monetary Board indicated that adequate coordination of the fiscal and monetary policy will continue because coordination constitutes a mechanism that strengthens the institutionality of the macroeconomic policy of the country.

Guatemala, December 23, 2010

With a month's delay, a summary of the arguments, presented in each session of the Monetary Board where there is a discussion as to the interest rate of the monetary policy, can be seen on the Web page of the Banco de Guatemala www.banguat.gob.gt