



BANCO DE GUATEMALA

PRESS RELEASE

THE MONETARY BOARD RAISES THE LEADING INTEREST RATE OF THE MONETARY POLICY FROM 4.50% TO 4.75%, AS OF THURSDAY, MARCH 31, 2011

The Monetary Board in its session celebrated on March 20, 2011; after having heard the Inflation Risks Balance, the results of the running of the Semi-structural Macroeconomic Model (MMS) and the orientation of the indicative variables, based on an integral analysis of the foreign and domestic situation, decided by majority to raise the level of the leading interest rate of the monetary policy from 4.50% to 4.75%.

The Monetary Board in its analysis considered that the recovery of the advanced economies is showing to be stronger and faster than expected, although the recent events in Japan and the Middle East could motivate future checks of the economic growth forecasts for 2011. Also, taking into account that the increases in the international price of international commodities, although subject to important fluctuations in the short term, seems to reflect a long-term trend toward foods and energy products becoming more expensive.

In that context, the Monetary Board concluded that the perspective of domestic economic growth continues evolving favorably, such as is reflected in the IMAE and foreign trade. However, the risks due to the behavior of international commodities prices makes it advisable to take monetary policy action in order to anchor the inflationary expectations around the corresponding inflation targets in the medium term.

The Monetary Board declared that it would continue giving close follow up to the behavior of the forecasts and inflation expectations and to the main variables and relevant macroeconomic indicators, internal as well as foreign, in order to take opportune action that would keep the inflation trajectory away from its medium term target.

Guatemala, March 30, 2011

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.banquat.gob.gt