



# BANCO DE GUATEMALA

---

## PRESS RELEASE

### **THE MONETARY BOARD RAISES THE LEADING INTEREST RATE OF THE MONETARY POLICY FROM 5.00% TO 5.50% AS OF THURSDAY, SEPTEMBER 29, 2011**

The Monetary Board in its session celebrated on September 28, 2011, after having heard the Inflation Risks Balance, the results of the mechanical running of the Semi-structural Macroeconomic Model and the orientation of the indicative variables of the monetary policy based on an integral analysis of the domestic and foreign economic situation, decided by majority to raise the level of the leading interest rate of the monetary policy by 50 basic points, from 5.00% to 5.50%.

The Monetary Board in its analysis considered that even when deceleration is expected in global economic growth, in an environment of fiscal and financial risks, especially in the Euro zone, the world economy will be registering growth rates of 4.0% in 2011 and 2012. In addition, the moderation observed in the last few weeks of the international prices of oil, corn and wheat, is not significantly reflected in the projection of the prices of said products.

The Monetary Board took into account the dynamism of the main indicators of the domestic economic activity, like foreign trade, tax collection, the banking credit to the private sector and the behavior of the subjacent inflation, which would mark the inflationary pressure on behalf of aggregate demand and a greater volatility for the second round effects, coming from supply shocks that have impacted the behavior of inflation. Added to this, the Monetary Board emphasized that the inflation expectations had deteriorated, so it considered that the monetary policy should act firmly in order to drop the inflation expectations and moderate the second round effects on the inflation behavior.

The Monetary Board declared that it will continue to give close follow up to the behavior of the inflation forecasts and expectations and to the main economic indicators, internal as well as external, particularly those that still show much uncertainty, in order to continue adopting timely action that will keep the inflation trajectory as close to the medium term target as possible.

Guatemala, September 28, 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](http://www.banquat.gob.gt)*