



BANCO DE GUATEMALA

PRESS RELEASE

THE MONETARY BOARD WILL INCREASE THE LEADING INTEREST RATE OF THE MONETARY POLICY FROM 4.75% TO 5.00%, AS OF THURSDAY, JUNE 27, 2006

The Monetary Board, in its session celebrated on July 26, 2006, decided to increment the leading interest rate of the monetary policy by 25 basic points from 4.75% to 5.00%. In their decision, after having heard the follow up on the indicative variables and the inflation risks balance corresponding to July, 2006, took into consideration the inflation prognosis presented by the technical departments of the *Banco de Guatemala*, for 2006 as well as for 2007, which were still over the established goal for each of those years, aspect that, in the context of the scheme of explicit inflation goals, advises restricting the monetary policy.

Also, the Board observed that, even though the monetary policy can not avoid the direct effects of imported inflation produced by the rise of fuels, it estimated that it is proceeding to restrict the monetary conditions in order to ensure the moderation of the inflationary expectations and in that way limit the second round effects¹ that can be derived of said imported inflation, particularly before the scenario where the international price of oil is more and more volatile.

In the opinion of the Monetary Board, the economic growth indicators continue to show robust behavior in the real activity of the country, at the same time that the majority of the indicative variables point toward; with adequate monetary and fiscal policy conduction, the achievement of the inflationary goal in the mid-term as feasible. The Board emphasized that, for said perspectives to be sustainable, it is proceeding to opportunely adopt the measures of monetary policy that allow that inflation to converge toward the established goal for the mid-term, propitiating the most favorable monetary and financial conditions for the orderly growth of the national economy.

Guatemala, July 27, 2006

With a one month delay, 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

¹ It refers to the increase in the price of those goods and services that in their cost structure do not incorporate oil derivatives, but are indirectly affected by aspects such as the increase in the price of transportation, electricity and others.