



BANCO DE GUATEMALA

PRESS RELEASE

THE MONETARY BOARD WILL INCREASE THE LEADING INTEREST RATE OF THE MONETARY POLICY FROM 4.25% TO 4.50%, AS OF THURSDAY, APRIL 27, 2006

The Monetary Board, in its session celebrated April 26, 2006, decided to increase the leading interest rate of the monetary policy by 25 basic points from 4.25% to 4.50%. In its decision, after having heard the follow up of the indicative variables and of the balance of inflation risks corresponding to April 2006, it took into consideration that the inflationary rhythm in March 2006 registered a slight increase, that breaks the deceleration that came from March 2006 registered since November 2005. Also, the Board observed that in the external ambit, the behavior to rise in the international oil price involved clear risk in future inflationary pressures.

In the opinion of the Monetary Board, the economic growth indicators showed a robust behavior of the real activity of the country, at the same time that the majority of the indicative variables point toward that, with an adequate conduction of the monetary and fiscal policies, the achievement of the inflationary goal in the mid term is feasible. The Board highlighted that, so said perspectives are sustainable, it is convenient to opportunely take the measures of the monetary policy that allow: (i) moderating the second round effects ¹ derived of imported inflation; (ii) avoiding that the macroeconomic adjustments that in the near future world economy could register distorting domestic stability; and, (iii) strengthen the expectations of the economic agents in the sense that the monetary authority could make all necessary efforts to ensure that the inflation converge with the established goal for 2006 and for 2007.

The Monetary Board reaffirms its obligation to continue adapting the measures that are necessary in the future, in order to diminish the inflationary threats and propitiate the most favorable monetary conditions for the orderly growth of the national economy.

Guatemala, April 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.banguat.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.