



BANCO DE GUATEMALA

PRESS RELEASE

THE MONETARY BOARD KEEPS THE LEVEL OF THE LEADING INTEREST RATE OF THE MONETARY POLICY INVARIABLE AT 5.50%

The Monetary Board, in its session celebrated on July 25, 2007, decided to keep the level of the leading interest rate of the monetary policy invariable.

The Monetary Board, after having heard the inflation risks balance and the orientation of the indicative variables concluded that, although the influence of factors that generate inflationary pressures such as the behavior of the price of crude oil, gasoline and corn prevail, an integral analysis of the inflation risks balance indicates that they improved regarding the previous month, so the potential inflation risks are still reasonably contained.

The Monetary Board, in its analysis, took into account the following factors: a) That for the third consecutive month a reduction was observed in the total and subjacent inflationary rhythm; b) That the Semi-structural Macroeconomic Model in its mechanical running of July, forecast an inflationary rhythm within the inflation goals fixed for 2007 and for 2008, although with a growing tendency for 2008; c) That public finance shows a behavior that to date has translated into monetary policy support; d) That the inter-annual growth rhythm of the banking credit to the private sector, although it is located over the estimated values will continue decelerating; and, e) That the total payment means continue exhibiting a slight tendency toward deceleration.

The Monetary Board considered it important to maintain fiscal discipline, pointing toward a deficit less than 2% of the gross domestic product at the end of the year, in order to contribute counteracting the external shocks. On the other hand, close follow up will continue to be given to the evolution of the other variables and economic indicators, in order to fulfill the inflation goal for 2007 as well as for 2008.

Guatemala, July 26, 2007

A month behind, 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