



# BANCO DE GUATEMALA

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## PRESS RELEASE

### **THE MONETARY BOARD RAISES THE LEVEL OF THE LEADING INTEREST RATE OF THE MONETARY POLICY FROM 6.75% TO 7.25%, AS OF THURSDAY, JULY 24, 2008**

The Monetary Board, in its session celebrated on July 23, 2008, after being informed of the Inflation Risks Balance, the orientation of the indicative variables and the results of the monthly report of the inflation risks from the Semi-structural Macroeconomic Model, decided by a majority to raise the level of the leading interest rate of the monetary policy by 50 basic points.

The Monetary Board made the decision based on the following aspects: a) the inflationary worldwide panorama has deteriorated in the last few months, accelerating the inflation expectations; b) currently the inflationary rhythm is of two digits and has had a growing trend in the last five months, situation that shows that the inflation expectations have deteriorated internally; c) the inflation forecasts are located over the target for 2008 and 2009; d) supply shocks continue representing inflationary risks (hikes in the international oil, corn and wheat prices), which could cause the effects of imported inflation to spread to other prices of goods and services; and, e) even when the main monetary aggregates register lower current inter-annual growth rates to the runners forecast, it is necessary to take measures for the monetary policy with the purpose of moderating the inflation expectations so that, once they reduce the intensity of the external shocks, the inflation return to one-digit levels and converge toward targets forecast for the medium term.

The Monetary Board declares that they will continue to give close follow up to the inflation risks and the internal and external environment, in order to adopt the opportune measures when they consider it necessary.

Guatemala, July 23, 2008

*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.banguat.gob.gt](http://www.banguat.gob.gt)*