



BANCO DE GUATEMALA

PRESS RELEASE

THE MONETARY BOARD REDUCES THE LEADING INTEREST RATE OF THE MONETARY POLICY BY 50 BASIC POINTS

The Monetary Board in its February 25, 2009 session after having heard the Inflation Risks Balance, the results of the running of the Semi-structural Macroeconomic Model (MMS), the orientation of the indicative variables and of doing an integral analysis of the foreign and domestic situation, decided to reduce the level of the leading interest rate of the monetary policy from 7.00% to 6.50%.

The Monetary Board in its analysis considered that the observed inflation in the last two months (December 2008 and January 2009) was less than the expected, that the inflation forecast of the Semi-structural Macroeconomic Model, although it is over the tolerance margin for 2009, forecasts a dropping inflation trajectory; that the trajectory toward the fall in international oil, corn and wheat prices has been felt in domestic prices; and, that the reduction forecast in the world economic growth rhythm could cause a deceleration in inflation this year.

The Monetary Board emphasized the gradual reduction of the leading interest rate, added to the adopted measures to give liquidity in national as well as foreign currency to the banking system and the greater dynamism expected in the public sector expenditure, are factors that cooperation the creation of conditions that allow a reduction of the cost to the banking system to the productive sectors.

In the heart of the Monetary Board there was consensus in that the inflation risks balance improved regarding the previous month, so in the measure that inflation continues converging to the target, could give present a more flexible monetary policy.

Guatemala, February 25, 2009

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.banguat.gob.gt