



# BANCO DE GUATEMALA

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## PRESS RELEASE

### **THE MONETARY BOARD KEEPS THE LEADING INTEREST RATE OF THE MONETARY POLICY AT 4.50%**

The Monetary Board in its February 10, 2010 session, after having heard the inflation risks balance, the results of the first running of the Semi-structural Macroeconomic Model (MMS) in 2010 and the orientation of the indicative variables, based on an integral analysis of the foreign and domestic situation; decided, by majority, to keep the level of the leading interest rate of the monetary policy invariable at 4.50%.

The Monetary Board in its analysis considered that the perspectives of world economic growth continued to improve, since the last meeting in which a decision was made regarding the leading interest rate. The above is evidence of the performance of some economic indicators, like the trust indexes of businessmen and consumers, the trend changes in world business behavior and a more normal operation of financial markets, although they did highlight that there are still foreign risks, associated to the weak private demand, the high levels of unemployment and the risk of premature withdrawal of tax and monetary stimulus in developed countries.

The Monetary Board also considered that at the domestic level there is evidence of recovery signs in foreign commerce behavior, of tax collection and of the Monthly Index of the Economic Activity; notwithstanding, the credit demand of the private sector remains low. Inflation accelerated in January, mainly due to supply shocks associated to the drought the country went through in 2009 and even when the projections and inflation expectations point toward a higher inflation for the present year, and it would be within the target range.

The Monetary Board indicated that they will continue observing the evolution of the inflation risks balance, closely following up on the main variables and relevant macroeconomic indicators, domestic and foreign, in order to establish their changes and orientation in the next decision regarding the leading interest rate.

Guatemala, February 10, 2010

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