



# 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 July 28, 2010 session, after having heard the Inflation Risks Balance, the results of the running of the Semi-structural Macroeconomic Model (MMS) and the orientation of the indicative variables, based on an integral analysis of the foreign and domestic situation, decided by unanimity to keep the level of the leading interest rate of the monetary policy at 4.50%.

The Monetary Board in its analysis considered that even when the world growth forecasts for 2010 increased, because of greater performance observed during the first quarter in emerging economies as well as advanced economies; the financial situation and the growth perspectives for the Euro Zone showed that there are still risks that could condition the recovery process of world economic activity.

Domestically, the Monthly Index of Economic Activity continues showing greater dynamism and registers positive results in matters of foreign trade, capital flows, family remittances and tax collection, associated to the recovery of foreign demand, while the recovery of domestic demand is moderate, reflected in the behavior of banking credit to the private sector, the product gap and the subjacent inflation.

Congruent with the evolution of foreign and domestic demand, the forecasts of total and subjacent inflation generated by the econometric models and by the Semi-structural Macroeconomic Model, as well as the inflation expectations from the panel of private analysts, point toward infaltion at the end of 2010 and 2011 being located within the established target range. It was reduced regarding those the previous month, because the inflationary effects caused by tropical storm Agatha were less than the expected.

The Monetary Board indicated that they will continue to observe the evolution of the Inflation Risks Balance, giving close follow up to the main relevant variables and relevant macroeconomic indicators, domestic as well as foreign, in order to establish changes and the orientation in the next relevant decision of the leading interest rate.

Guatemala, July 28, 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)*