

EXECUTION COMMITTEE

ACT NUMBER 17-2008

Session 17-2008 celebrated in the *Banco de Guatemala* building located at *séptima avenida número veintidós guión cero uno, zona uno* of this city, on Tuesday, April eighth, two thousand eight, at twelve hours and fifteen minutes.

The coordinator, with the corresponding quorum, for the consideration of the Execution Committee submitted the project for the order of the day.

FIRST: Inflation report to March 2008.

SECOND: Other matters.

Not having observations, the Committee approved the order of the day.

FIRST: Inflation Report to March 2008. .

The Coordinator requested the corresponding information be provided.

The Director of the Department of Economic Studies presented the report on inflation to March 2008 reported by the National Statistics Institute (INE for its acronym in Spanish) and indicated that the monthly inflation was of 1.18%, higher by 0.49 percentage points to that of February 2008 and higher by 0.32 percentage points to the observed in March 2007. In that regard, it was mentioned that in March 2008, based on the information provided by INE; hikes were observed in the prices of goods and services: bread (5.19%); gasoline (4.08%); other vegetables and orchard products (9.21%); air transportation (8.96%); expenses derived from home delivery water service (6.46%); potato (6.90%); tomato (8.51%); and travel and leisure within the country (3.63%). They also registered reductions in the median prices of the following goods and services: expenses derived from electricity service (3.41%); onion (17.70%); other fresh fruit (0.98%); expenses due to domestic heating oil consumption (0.81%); and güisquil (3.04%). The total inflationary rhythm was at 9.10%, higher by 0.34 percentage points to the registered in February 2008 (8.76%) and higher by 2.08 percentage points to the observed in March 2007 (7.02%). It was reported that of the total inflationary rhythm to March 2008 (9.10%), 3.65 percentage points are due to imported inflation, whereas 5.45 percentage points correspond to internal inflation.

The Committee also received information from the technical departments regarding econometric estimations for December 2008 and 2009 of the total and

subjacent inflationary rhythm, in which relative data is incorporated to the registered inflation to March 2008. As to econometric projection of total inflation for December 2008, it was indicated that this is higher by 0.33 percentage points to the estimation made with data to February, when it was at 7.44%, percentage which is over the tolerance margin of the determined inflation target for said year (5.5% +/- 1.5 percentage points). The total inflation projection for December 2009 (6.62%) regarding the determined inflation target for the end of the mentioned year, pointed out that said projection is higher by 0.10 percentage points to the estimated with data to February, located over the tolerance margin of the inflation target (5.5% +/- 1 percentage point).

Regarding the econometric projection of the subjacent inflation for December 2008, it was reported to be at 7.37%, higher by 0.49 percentage points to the estimation of the previous month (6.88%), located over the tolerance margin of the inflation target determined for that year (5.5% +/- 1.5 percentage points). The econometric estimation for December 2009 was at 6.50%, higher by 0.11 percentage points to the projection made in February (6.39%), located over the punctual value of the inflation target determined for that year, but within the tolerance margin of +/- 1 percentage point.

In the heart of the Committee it was mentioned that the variation of the inflation in March (1.18%), around 51.0% was explained by the increase of goods and services (bread, gasoline, air transportation, recreational travel and/or recreation within the country), associated to external origin shocks. In that regard, it was commented that although the behavior of the inflationary rhythm is influenced significantly by external shocks, associated to hikes in the international price of oil, corn and wheat, it is important that the monetary policy continue to be oriented toward counteracting the second round effects derived from the referred shocks, in this way avoiding contamination on those prices that are not directly related to said shocks, as well as moderating the inflation expectations of the economic agents.

SECOND: Other matters.

The Committee was informed by the technical departments on the revision that is being made on the calculation methodology of the subjacent inflation, which was funded by the International Monetary Fund, due to the fact that the current calculation

does not allow adequately separating the proportion of inflation that is associated to monetary factors. In that regard, it was mentioned that the referred revision is very advanced, so in the next Committee session, a concrete proposal for calculation can be made known and later presented to the Monetary Board.

Not having other matters to attend to, the session ended at twelve hours and fifty minutes, in the same place and on the same date indicated; the participants signed in agreement.