

**EXECUTION COMMITTEE**  
**ACT NUMBER 59-2008**

Session 59-2008 celebrated in the *Banco de Guatemala* building located at *séptima avenida número veintidós guión cero uno, zona uno* of this city, on Monday, December eighth, two thousand eight, at sixteen hours and thirty-seven minutes.

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

**FIRST:** Review of Monthly Inflation to November 2008.

**SECOND:** Other matters and reports.

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

**FIRST:** Review of Monthly Inflation to November 2008.

The Coordinator requested the corresponding information be provided.

The Director of the Department of Economic Studies presented the inflation behavior to November, 2008. According to the information of the National Statistics Institute (INE, for its acronym in Spanish), it was indicated that the inflationary rhythm registered a reduction of 2.08 percentage points, when going from 12.93% in October to 10.85% in November. The monthly inflation was of 0.01%, lower by 0.49 percentage points to October 2008 and lower by 1.88 percentage points to the observed in November 2007. It was mentioned that in November 2008 they observed reductions in the median prices of the following goods and services: gasoline (16.35%), tortilla products (2.17%), propane gas (8.04%), onions (20.60%), electricity (3.30%) and bread (0.87%). They also registered increases in the median prices of the following goods and services: tomato (47.13%), ball-shaped soap (3.78%), other vegetables and orchard products (3.59%), güisquil or chayote (14.55%), recreational trips and/or recreation in the country (2.61%), other culinary herbs (20.48%), potato (3.25%), automobiles (1.84%), extra-urban transportation (1.61%) and other fresh fruit (2.20%). The subjacent dynamic inflation registered a rhythm of 8.25%, lower by 0.87 percentage points to the observed in October 2008 (9.12%) and higher by 2.18 percentage points to the registered in November de 2007 (6.07%). The Committee also received information on the estimations of the imported and internal components of total inflation to the referred month. In that sense, the total inflationary rhythm to November 2008 (10.85%), 1.32 percentage points are due to measurable imported

inflation, associated to the effect coming from international oil and its derivatives price reduction, as well as that of corn and wheat; whereas that 9.53 percentage points correspond to internal inflation.

In the Committee reference was made to the reduction of 2.08 percentage points in total inflationary rhythm. In that regard, it was indicated that said reduction has to do with the decrease of direct imported inflation that influenced in the reduction of prices; notwithstanding, high prices in products that have been influenced indirectly by said imported inflation persist. On the other hand, the referred reduction of inflationary rhythm was also determined by an arithmetic effect, given that the inflation to November 2007 was historically high (1.89%).

**SECOND:** Other matters and reports.

The Committee began the discussion of the analysis that it must present to the Monetary Board in the Wednesday, December 17 session when, according to the annual calendar, said licensed body would decide on the level of the leading interest rate of the monetary policy. In that regard, it was indicated that in the international macroeconomic environment there is still evidence of the presence of simultaneous external shocks, like the permanence of the financial crisis, world economic deceleration and, although in less measure, the elevated inflation in the case of emerging economies and developing countries. Notwithstanding, it was mentioned that the international price of oil, corn and wheat will continue to show a falling trend. In that context, in the Committee they discussed some factors that could be considered in the inflation risks balance that the technical departments will present in the next Committee meeting, which are described as follows.

i. The international price of oil, from December 1 to 8, 2008 was at US\$45.20 per barrel, on average, which means a reduction of US\$12.24 per barrel (21.31%) regarding the average price registered during November 2008 (US\$57.44 per barrel) and a reduction of US\$46.54 per barrel (50.73%) regarding the average price to December 2007 (US\$91.74 per barrel). Additionally, according to Bloomberg, the price of crude oil for delivery in December 2009, on December 8 was at US\$57.98 per barrel, lower by US\$10.31 per barrel (15.10%) regarding the prevalent price for the same position on November 13, 2008 (US\$68.29 per barrel).

ii. As to the behavior of the international price of corn, it was reported that it registered a decrease, when on December 8, 2008, it was at US\$5.72 per quintal,

lower by US\$0.96 per quintal (14.37%) to the average observed in November 2008 (US\$6.68 per quintal) and lower by US\$1.85 per quintal (24.44%) to the registered on December 2007 (US\$7.57 per quintal).

iii. Regarding the international price of wheat, it was mentioned that the same, on December 8 was at US\$8.11 per quintal, which represents a decrease of US\$0.78 per quintal (8.77%) regarding the average observed to November 2008 (US\$8.89 per quintal) and a reduction of US\$7.17 per quintal (46.92%) regarding the level registered at the end of December 2007 (US\$15.28 per quintal).

iv. The total inflationary rhythm decreased 12.93% in October to 10.85% in November 2008 and the dynamic subjacent inflationary rhythm was reduced by 9.12%, the month before, to 8.25% in November 2008.

v. The total econometric projection for December 2009 (7.58%), although it decreased regarding the previous month, it is still located over the tolerance margin of the inflation target forecast for the referred year (5.5 +/- 1.0 percentage points).

vi. The econometric projection of dynamic subjacent inflation for December 2009 (5.76%), is lower to the estimated the month before, and is located over the tolerance margin of the inflation target for the referred year.

vii. The inflation expectations of the panel of private analysts, according to the survey made in November 2008, indicate that the total inflationary rhythm for the end of 2009 would be at 9.08%. They stressed that, although the projection registers a moderate decrease regarding the previous month, the same is still over the upper limit of the tolerance margin of the inflation target determined by the mentioned year.

vii. The immediate liquidity conditions in the banking system are positive, situation that is reflected in the amount of liquid resources available (daily position of legal banking reserve added to the monetary stabilization operations to 7 day terms), that to December 4, 2008 are around Q6,955.0 million.

viii. The inter-annual variation of the banking credit to the private sector and of the payment means, are below the lower limit of the estimated runner.

ix. The primary liquidity was over the programmed runner, reflecting an excess of liquidity in local currency of Q2,790.5 million.

Not having other matters or reports to discuss, the session ended at seventeen hours and fifty-six minutes, in the same place and on the same date indicated, the participants signed in agreement.