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Deborah Tyroler

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Guatemala: Government Attempts To Halt Currency Devaluation

by Deborah Tyroler

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On Aug. 14, local news sources reported rapid devaluation of the quetzal, from 4.1 to 4.5 per US dollar over a two-day period. The government's Monetary Council announced that beginning Aug. 20, the sale of foreign currency to the private sector will be conducted according to the Dutch auction system. Currency buyers are required to deposit quetzals equivalent to 100% of the intended purchase, up from 50%. The move is expected to increase bank reserves and reduce foreign currency transactions. Also effective Aug. 20, the Central Bank raised its reserve ratio requirements to 90% on an annual basis. (Basic data from Cerigua weekly briefs, 08/13-19/90)

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