

EXECUTION COMMITTEE
MINUTES NUMBER 40-2023

Session 40-2023 held in the Bank of Guatemala building, located at *séptima avenida veintidós guion cero uno, zona uno* of this city, on August 25, 2023, at 11:00 a.m.

The Coordinator, with the corresponding quorum, submitted the draft of the order of the day for the consideration of the Execution Committee.

FIRST: Approval of minutes number 39-2023, corresponding to the session held on August 18, 2023.

CIRCULATED: Draft of minutes number 39-2023.

SECOND: Financial and Economic Information.

- a) Money Market
- b) Exchange Market
- c) Economic Information
- d) Estimated Monetization Flow

THIRD: Proposal of quotas for term deposit auctions in quetzals.

FOURTH: Running of macroeconomic forecasting models.

FIFTH: Inflation risks balance.

SIXTH: Discussion.

SEVENTH: Other matters and reports.

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

FIRST: Approval of minutes number 39-2023, corresponding to the session held on August 18, 2023.

The Coordinator submitted the draft of the minutes for consideration of the Committee.

Not having observations, the Committee approved minutes number 39-2023.

SECOND: Financial and Economic Information.

- a) The Deputy Director of the Open Market Operations Department presented the information regarding the Money Market, corresponding to the period from August 18 to 24, 2023.
- b) The Deputy Director of the Open Market Operations Department presented the information on the operations held by the institutions that constitute the Institutional Market of Foreign Currency, corresponding to the period from August 18 to 24, 2023, as well as the current reference exchange rate on August 25, 2023.
- c) The Director of the Macroeconomic Analysis and Forecasting Department presented the information regarding the domestic and foreign macroeconomic performance corresponding to the

period from August 17 to 24, 2023, including the prospects for the short and medium-term of the relevant economic variables; particularly, those that may change the inflation trajectory.

d) One of the deputy directors of the Macroeconomic Analysis and Forecasting Department informed of the monetizing and demonetizing factors forecast in the Estimated Monetization Flow for the period from August 25 to 31, 2023.

THIRD: Proposal of quotas for term deposit auctions in quetzals.

The Deputy Director of the Open Market Operations Department, based on the Estimated Monetization Flow and the guidelines established for the determination of quotas for the term deposit auction, with due dates up to two years, through the *Bolsa de Valores Nacional, S. A.* [National Stock Exchange], proposed to the Execution Committee for the auction of Monday, August 28, 2023, to be as follows: to December 4, 2023, Q100.0 million; to March 4, 2024, Q100.0 million; to June 3, 2024, Q100.0 million; to September 2, 2024, Q100.0 million; to December 2, 2024, Q100.0 million; to March 3, 2025, Q100.0 million; to June 2, 2025, Q600.0 million, and for public entities, without pre-established quotas, without standardized nominal values, and due on the dates indicated.

The Committee approved the proposal of quotas for term deposit auctions, by the technical departments.

FOURTH: Running of macroeconomic forecasting models.

Regarding the running of macroeconomic forecasting models, the technical departments presented to the Committee the report of the average forecasts of the macroeconomic variables, with emphasis on the inflation and the leading interest rate of monetary policy for 2023 and 2024, conditioned to a consistent leading interest rate trajectory to maintain the inflation around the accurate value of the target.

FIFTH: Inflation risks balance.

The technical departments presented the inflation risks balance to the Execution Committee and highlighted that, after carrying out a comprehensive analysis, it was determined that in the foreign environment, prospects for global economic activity would continue to show a slowdown for the current and next year, although lower than expected at the beginning of the year, in an environment in which high levels of uncertainty and significant downside risks persist. They pointed out that these risks are particularly associated with the persistence of inflationary pressures, the restriction of international financial conditions, the increasing geopolitical tensions, the moderate recovery of the Chinese economy, the concerns for the stability of some institutions

of the United States banking system and the persistence of some armed conflicts. In this regard, they indicated that the remaining high levels of inflation, mainly in advanced economies, have led to a greater tightening of monetary policy in these economies, such is the case of the Federal Reserve of the United States which, at its July meeting, decided to increase the target interest rate on federal funds by 25 basis points, placing it in a range between 5.25% and 5.50%. On the other hand, they mentioned that the international oil price showed an upward trend from the previous inflation risks balance, due to the lower supplies from the Organization of Petroleum Exporting Countries and other important producers (OPEC+), as well as due to the gradual recovery of the global energy demand.

In the domestic environment, they highlighted that during this year, the evolution of the short-term indicators of economic activity continues to be consistent with the estimate of economic growth forecast for the current and the next year (between 2.5% and 4.5%), emphasizing the Monthly Index of Economic Activity (MIEA), family remittances, and the bank credit to the private sector. However, they mentioned that economic confidence has recently moderated, derived from domestic political uncertainty which, if it persists, could cause a greater pause in investment, for precautionary reasons. Regarding total inflation, they indicated that it continued to moderate in July, as anticipated, placing it within the target for the second consecutive month. In this context, inflation expectations for both, the short and medium-term, continued to reduce, reflecting the credibility of the measures adopted by the monetary authority. Additionally, the inflation forecast was revised to the downside in July, forecasting a trend that would allow the inflation to remain within the inflation target established by the Monetary Board in the remainder of 2023 and during 2024, although this trend would be conditioned to the effect of the monetary policy actions, the moderation of imported inflation and the materialization of the base effect comparison.

Based on the analysis of the inflation risks balance, the technical departments considered it appropriate to suggest to the Execution Committee to recommend to the Monetary Board to maintain the leading interest rate of monetary policy at its current level (5.00%).

SIXTH: Discussion.

The Committee, after a wide discussion, analysis, and reflection, agreed to recommend to the Monetary Board to maintain the leading interest rate level of monetary policy at 5.00%.

The Committee also reiterated its commitment to continue to closely monitor the behavior of the indicative variables of monetary policy, particularly the forecasts and inflationary

expectations, and the main economic indicators both, domestic and foreign, to continue recommending to the monetary authority the opportune actions that will allow to maintain a low and stable inflation, and to avoid a de-anchoring of the inflationary expectations, to strengthen the credibility of the Central Bank regarding its commitment to promoting stability in the general price level.

SEVENTH: Other matters and reports.

Not having other matters or reports to discuss, the session concluded at 12:30 p.m., in the same place and date set forth, the participants signed in agreement.