

EXECUTION COMMITTEE
MINUTES NUMBER 44-2023

Session 44-2023 held in the Bank of Guatemala building, located at *séptima avenida veintidós guion cero uno, zona uno* of this city, on September 22, 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 43-2023, corresponding to the session held on September 14, 2023.

CIRCULATED: Draft of minutes number 43-2023.

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 43-2023, corresponding to the session held on September 14, 2023.

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

Not having observations, the Committee approved minutes number 43-2023.

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 September 14 to 21, 2023.
- b) The Deputy Director of the Open Market Operations Department presented the information on the operations held by the institutions that make up the Institutional Market of Foreign Currency, corresponding to the period from September 14 to 21, 2023, as well as the current reference exchange rate on September 22, 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 September 13 to 21, 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 September 22 to 28, 2023.

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

The 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, September 25, 2023, to be as follows: to December 4, 2023, Q500.0 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, Q500.0 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, the prospects for global economic growth continue to be moderated for both 2023 and 2024, in an environment where uncertainty and downside risks persist. In this context, they pointed out that the risks are particularly associated with the persistence of inflationary pressures, the restriction of international financial conditions, the volatility of raw material prices, particularly oil, the permanence of geopolitical tensions, and the less favorable prospects for the Chinese economy. Regarding international inflation, they

highlighted that it maintained its trend towards moderation, both in the main advanced economies and emerging and developing markets; however, in some countries, it continues to be at levels above the inflation targets. Additionally, they mentioned that the international oil price continues to show an upward trend from July of this year, due to the lower supplies from the Organization of Petroleum Exporting Countries and other important producers (OPEC+), as well as due to the recovery of the global energy demand.

In the domestic environment, they highlighted that during the first semester of 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 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 highlighted that economic confidence has moderated in recent months, as evidenced by the behavior of the Confidence Index of the Economic Activity [ICAE, for its acronym in Spanish], due to the uncertainty that prevails in the foreign economic environment and the domestic environment regarding the election process of the new government, which, if it persists, could moderate the dynamism of domestic demand and affect the performance of economic activity. Regarding total inflation, they indicated that it continued to moderate in August, as anticipated, placing it within the target range for the third consecutive month. Additionally, inflation expectations for both, the short and medium-term, continued to reduce, reflecting the credibility of the measures promptly adopted by the monetary authority. In this context, the inflation forecasts suggest a behavior that would allow the inflation to remain within the inflation target established by the Monetary Board in the remainder of 2023 and during 2024; however, they highlighted that these projections would be conditioned to the effect of the implemented 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 inflationary forecasts and

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, and the attendees signed in agreement.