**TABLE 1:** *Variable Names and Data Descriptions*

|  |  |
| --- | --- |
| **Mnemonic** | **Description** |
|  |  |
| **DLP** | First Difference of the Natural Logarithm of the Consumer Price Index, 2005=100 |
| **DLM** | First Difference of the Natural Logarithm of Broad Money Supply, Quetzals |
| **DLQ** | First Difference of the Natural Logarithm of Real Gross Domestic Product, 2005 Quetzals |
| **DLI** | First Difference of the Natural Logarithm of Foregone Interest Earnings Approximated by the Product of the Money Supply with the Average Commercial Bank System Deposit Rate |
| **I** | Commercial Bank System Deposit Rate |
| **R** | Central Bank Discount Rate |

**Notes:**

1. Sample Period: 1960-2012.

2. Source: IMF, 2013, *International Financial Statistics*, Washington, DC: International Monetary Fund.

**TABLE 2:** *Deposit Rate Regression Output*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Variable** | **Coefficient** | **Std. Error** | **t-Statistic** | **Prob.** |
|  |  |  |  |  |
| **C** | 2.547 | 1.610 | 1.581 | 0.139 |
| **DISCOUNTRATE** | 0.662 | 0.128 | 5.158 | 0.000 |
|  |  |  |  |  |
| R-squared | 0.689178 | Mean dependent variable | | 10.35714 |
| Adjusted R-squared | 0.663277 | Std. dev. dependent var. | | 3.537864 |
| S.E. of regression | 2.052947 | Akaike inf. criterion | | 4.407994 |
| Sum squared resid. | 50.57511 | Schwarz inf. criterion | | 4.499287 |
| Log likelihood | -28.85596 | Hannan-Quinn criterion | | 4.399543 |
| F-statistic | 26.60736 | Durbin-Watson statistic | | 2.090244 |
| Prob.(F-statistic) | 0.000238 |  | |  |

**Note:** Sample Period: 1960-2012.

**TABLE 3:** *Augmented Dickey-Fuller Unit Root Stationarity Tests (with intercept)*

|  |  |  |  |
| --- | --- | --- | --- |
| **Series** | **Non-differenced ADF Test Statistic** | **Differenced ADF Test Statistic** | **5% MacKinnon Critical Value** |
|  |  |  | -2.919952 |
| **Log(P)** | -0.053396 | -3.627624 |  |
| **Log(M)** | 1.333750 | -5.397195 |  |
| **Log(Q)** | -2.521245 | -5.682151 |  |
| **Log(LI)** | -0.285055 | -6.598288 |  |

**Note:** Sample period: 1960-2012.

**TABLE 4:** *Augmented Dickey-Fuller Unit Root Stationarity Tests (with trend and intercept)*

|  |  |  |  |
| --- | --- | --- | --- |
| **Series** | **Non-differenced ADF Test Statistic** | **ADF Test Statistic** | **5% MacKinnon Critical Value** |
|  |  |  | -3.500495 |
| **Log(P)** | -2.294625 | -3.575005 |  |
| **Log(M)** | -2.829295 | -4.148465 |  |
| **Log(Q)** | -1.825417 | -6.105849 |  |
| **Log(LI)** | -2.291162 | -6.528921 |  |

**Note:** Sample period: 1960-2012.

**TABLE 5:** *Pairwise Granger Causality Tests*

|  |  |  |  |
| --- | --- | --- | --- |
| **Null Hypothesis** | **Observations** | **F-Statistic** | **Probability** |
|  |  |  |  |
| DLM does not precede DLP | 50 | 6.38415 | 0.0036 |
| DLP does not precede DLM | 50 | 0.45414 | 0.6379 |
|  |  |  |  |
| DLQ does not precede DLP | 50 | 0.15646 | 0.8556 |
| DLP does not precede DLQ | 50 | 0.34325 | 0.7113 |
|  |  |  |  |
| DLI does not precede DLP | 50 | 0.50231 | 0.6085 |
| DLP does not precede DLI | 50 | 0.52271 | 0.5965 |

**Notes:**

1. Sample Period: 1960-2012.

2. Two-period lags are employed for the F-tests.

**TABLE 6:** *Estimation Output*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Variable** | **Coefficient** | **Standard Error** | **t-Statistic** | **Probability** |
| **Constant** | 0.017118 | 0.020410 | 0.838687 | 0.4064 |
| **DLM** | 0.171277 | 0.079457 | 2.155599 | 0.0369 |
| **DLM(-1)** | 0.393669 | 0.081701 | 4.818439 | 0.0000 |
| **DLQ** | -0.442611 | 0.216248 | -2.046780 | 0.0470 |
| **DLQ(-1)** | -0.304298 | 0.207339 | -1.467633 | 0.1497 |
| **DLI** | 0.102910 | 0.032195 | 3.196432 | 0.0026 |
| **DLI(-1)** | 0.023565 | 0.033029 | 0.713477 | 0.4795 |
| **AR(1)** | 0.428854 | 0.140097 | 3.061114 | 0.0038 |
|  |  |  |  |  |
| R-squared | 0.692091 | Mean dependent variable | | 0.082504 |
| Adjusted R-squared | 0.640773 | Std. dev. dependent var. | | 0.074233 |
| S.E. of regression | 0.044492 | Akaike inf. criterion | | -3.241383 |
| Sum squared resid. | 0.083139 | Schwarz inf. criterion | | -2.935460 |
| Log likelihood | 89.03459 | Hannan-Quinn criterion | | -3.124886 |
| F-statistic | 13.48630 | Durbin-Watson statistic | | 2.055474 |
| Prob.(F-statistic) | 0.000000 |  | |  |

**Notes:**

1. Sample Period: 1960-2012.

2. Dependent Variable: DLP.

3. Inverted AR Root: 0.43.

4. Included Observations: 50 after adjustments.

5. Convergence achieved after 8 iterations.