



**INFLATION EXPECTATIONS SURVEY
TO THE PANEL OF PRIVATE ANALYSTS
- EEI (For its acronym in Spanish) -**

NOVEMBER 2010

The *Inflation Expectations Survey to the Private Panel of Analysts* is done monthly in order to obtain the opinion of national and international analysts, knowledgeable of the operational procedures of the monetary policy, in relation to the expected evolution in the prices of the economy. Said survey is extremely useful, given the importance that the inflationary expectations have in the behavior of the general level of prices.

In the first part of this note, we present the results of the survey of inflation expectations and of the annual and quarterly economic activity, held between the second and fourth week of November 2010.

In the second part, the confidence index of the economic activity is presented, which was made based on the referred survey.

I. INFLATION EXPECTATIONS AND ECONOMIC ACTIVITY

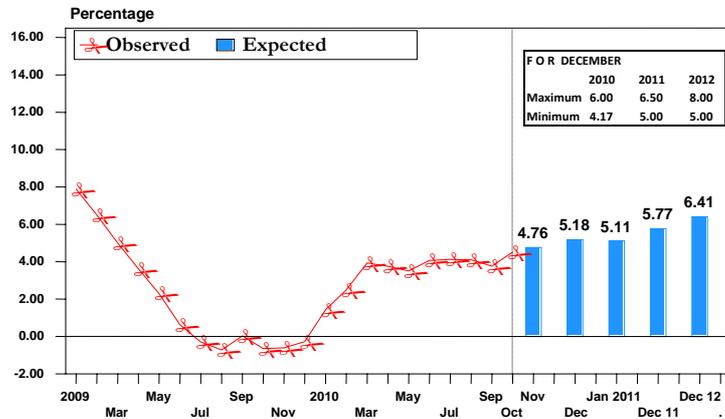
1. INFLATION

The Economic analysts surveyed foresee a y-o-y inflation of 4.76% for November 2010 with a maximum value of 5.20% and a minimum of 3.85%; while for December 2010, they estimate that it will reach 5.18% with a maximum value of 6.00% and a minimum value of 4.17%. For December 2011, the analysts forecast an average inflation of 5.77%, registering a maximum value of 6.50% and a minimum of 5.00%. For December 2012, they consider it could reach 6.41%, with a maximum value of 8.00% and a minimum value of 5.00%.

On the other hand, the economic analysts estimated that for November 2011 the inflation would be at 5.95%, while for November 2012, this could be at 6.22%.¹

¹ Within the Monetary, Foreign Exchange Rate, and Credit Policy for 2010, approved by the Monetary Authority, it was established that for informative reasons they would also report the inflation expectations referred to on a 24-month mobile horizon.

INFLATION OBSERVED AND EXPECTED 2009 - 2012

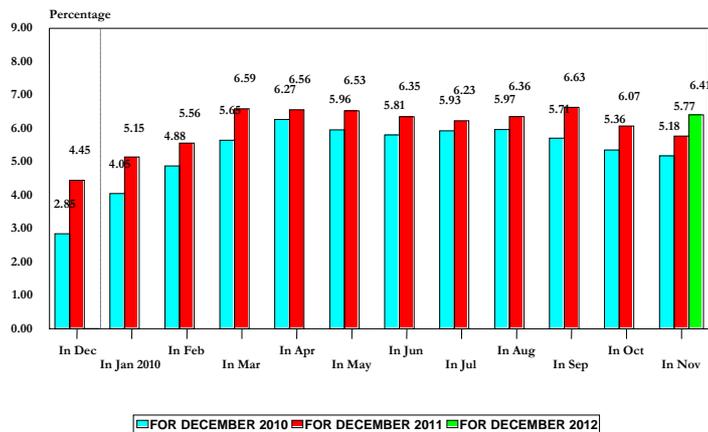


Source: Banco de Guatemala and Inflation Expectations Survey to the Panel of Private Analysts

When comparing the results of this survey with the obtained the month before, it was observed that the expected y-o-y inflation for November 2010 decreased by 0.07 percentage points (4.83% from the survey in October 2010); while for December 2010, it dropped by 0.18 percentage points (5.36% in the previous survey). For December 2011, the inflationary rhythm dropped by 0.30 percentage points (6.07 in the previous survey).

For the end of 2012, the expected inflationary rhythm dropped by 0.03 percentage points (6.44% in the last survey).

INFLATION EXPECTATIONS FOR DECEMBER 2010, FOR DECEMBER 2011 AND FOR DECEMBER 2012



SOURCE: Inflation Expectations Survey to the Panel of Private Analysts

In the opinion of the interviewed analysts, the main factors that could explain the forecast of inflation for 2010 are the prices of fuel, the climate condition, the performance of the fiscal policy, the international price of oil, the price of commodities, the performance of the monetary policy and the climate conditions.

FACTORS THAT COULD EXPLAIN THE INFLATION FORECAST FOR DECEMBER 2010

-In Percentage-

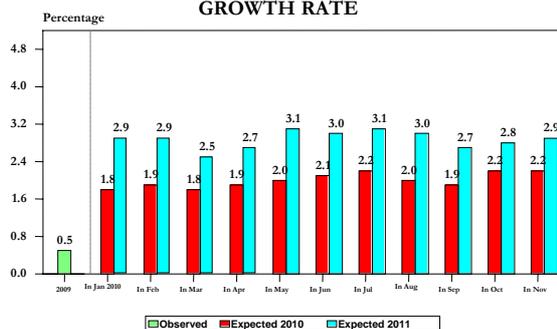
FACTORS	January	February	March	April	May	June	July	August	September	October	November
Price of fuel	16.67	14.29	15.91	18.30	18.64	17.24	16.67	14.29	12.86	16.98	16.39
Performance of the fiscal policy	10.42	11.91	15.91	15.49	18.64	13.79	12.12	14.29	14.29	13.21	14.75
International price of oil	16.67	19.05	18.18	21.13	20.34	18.97	10.61	14.29	14.29	13.21	14.75
Prices of commodities	14.58	9.52	6.82	12.68	10.17	10.35	9.09	14.29	10.00	13.21	13.12
Performance of the monetary policy	8.33	11.91	9.09	11.27	8.48	10.35	6.06	14.29	12.86	11.32	13.12
Climate conditions	6.25	7.14	6.82	4.23	5.09	15.52	12.12	11.11	14.29	15.09	11.48
Nominal exchange rate	12.50	11.91	9.09	7.04	8.48	3.45	9.09	7.93	10.00	5.86	9.84
Seasonality of agricultural products	8.33	4.75	9.09	5.63	6.78	8.62	19.70	7.93	8.56	7.55	3.27
Others	6.25	9.52	9.09	4.23	3.38	1.71	4.55	1.58	2.85	3.77	3.28
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

2. ECONOMIC ACTIVITY

2.1 ANNUAL GROSS DOMESTIC PRODUCT

In November 2010, the private analysts estimated that for said year the economic activity, measured by the Real Gross Domestic Product, will register growth of 2.2%, remaining stable to the forecasted in the previous survey; whereas for 2011, the analysts estimate that it will be at 2.9%, number higher by 0.1 percentage points to the forecast the previous survey (2.8%).

GROWTH OF THE REAL GROSS DOMESTIC PRODUCT
OBSERVED IN 2009 AND EXPECTED FOR
2010 AND 2011
GROWTH RATE



SOURCE: Banco de Guatemala and Inflation Expectations Survey to the Panel of Private Analysts.

According to the analysts interviewed, the main factors that could influence the growth rhythm of the economic activity in 2010 are the performance of the fiscal policy, the international price of oil, the price of fuel, the execution of megaprojects and the level of the interest rates (domestic and foreign).

FACTORS THAT COULD PROMOTE THE RHYTHM OF THE ECONOMIC ACTIVITY IN 2010

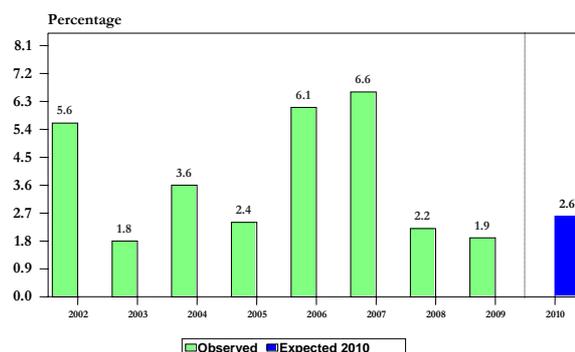
-In percentage-

FACTORS	January	February	March	April	May	June	July	August	September	October	November
Performance of the fiscal policy	7.89	12.20	17.07	13.33	5.00	12.20	11.11	12.24	12.50	9.75	15.91
International price of oil	5.26	9.76	14.63	11.11	15.00	12.20	11.11	14.29	14.58	12.20	13.64
Price of fuel	7.89	9.76	12.19	8.89	15.00	12.20	13.33	12.24	10.42	9.75	13.64
Execution of megaprojects	7.89	12.20	12.19	15.56	15.00	14.63	8.89	10.20	10.42	12.20	11.36
Level of the interest rate (domestic and foreign)	13.17	9.76	9.76	11.11	7.50	12.20	4.44	8.16	6.25	9.76	11.36
Strengthening of the domestic market	13.17	12.20	9.76	11.11	10.00	4.88	13.33	6.14	8.33	14.63	9.09
Stability in the nominal exchange rate	10.53	9.76	9.76	6.67	7.50	9.75	11.11	14.29	14.58	12.20	9.09
Stability in the general level of prices	7.89	7.30	2.44	6.67	7.50	7.31	8.89	10.20	10.42	9.75	9.09
FTA with the United States of America	5.26	4.86	2.44	4.44	7.50	2.43	6.67	4.08	4.17	4.88	4.55
Other	21.05	12.20	9.76	11.11	10.00	12.20	11.11	8.16	8.33	4.88	2.27
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

3.2 QUARTERLY GROSS DOMESTIC PRODUCT

In November 2010, the private analysts estimated that the growth of the real quarterly GDP² corresponding to the third quarter of 2010, will register a 2.6% growth.

GROWTH OF THE REAL GROSS DOMESTIC PRODUCT FOR THE THIRD QUARTER OBSERVED FROM 2002 TO 2009 AND EXPECTED FOR THE THIRD QUARTER OF 2010 GROWTH RATE



SOURCE: Banco de Guatemala and Survey of Inflation Expectations from the Panel of Private Analysts.

II. CONFIDENCE INDEX OF THE ECONOMIC ACTIVITY FROM THE PANEL OF PRIVATE ANALYSTS

The Confidence Index of the Economic Activity from the Panel of Private Analysts has the purpose of measuring the perception on the current economic situation and the environment for business that the interviewed economic analysts have, which is compared with the prevailing index in the recent past. It also pursues obtaining an appreciation on the economic evolution of the country in the near future. For that purpose, the private analysts were asked a series of questions, which results are as follows:

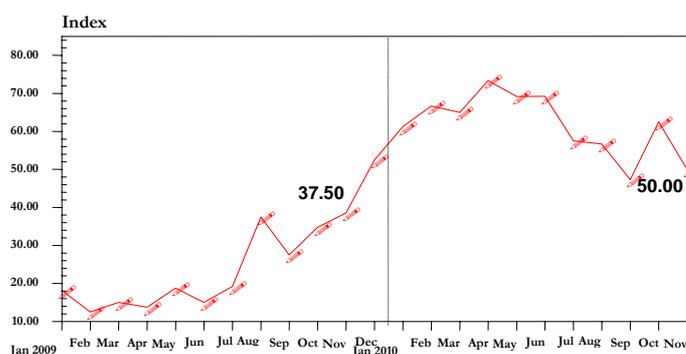
²Due to the implementation of the Quarterly National Accounts System (CNT), the Banco de Guatemala will publish the expectation on the evolution of the Quarterly Gross Domestic Product from the Panel of Private Analysts.

INDICATORS OF THE CONFIDENCE LEVEL

Question	2010										
	January	February	March	April	May	June	July	August	September	October	November
8. How do you consider the business climate will evolve for productive activities for the private sector in the next two to six months in comparison with the past six months?											
Will improve	40.0%	41.7%	50.0%	46.7%	46.7%	53.8%	6.7%	6.7%	0.0%	0.0%	0.0%
The same	60.0%	58.3%	50.0%	53.3%	40.0%	38.5%	73.3%	73.3%	78.6%	91.7%	75.0%
Will worsen	0.0%	0.0%	0.0%	0.0%	13.3%	7.7%	20.0%	20.0%	21.4%	8.3%	25.0%
9. Do you consider that the current economy of the country is better than it was a month ago?											
Yes	50.0%	75.0%	50.0%	86.7%	93.3%	69.2%	80.0%	100.0%	71.4%	83.3%	75.0%
No	50.0%	25.0%	50.0%	13.3%	6.7%	30.8%	20.0%	0.0%	28.6%	16.7%	25.0%
10. ¿Espera usted que la evolución económica del país mejore durante los próximos seis meses?											
Yes	80.0%	66.7%	80.0%	66.7%	66.7%	76.9%	53.3%	40.0%	35.7%	66.7%	41.7%
No	20.0%	33.3%	20.0%	33.3%	33.3%	23.1%	46.7%	60.0%	64.3%	33.3%	58.3%
11. How do you consider that the current situation for businesses in the country is, for investing?											
Good moment	20.0%	25.0%	30.0%	46.7%	26.7%	30.8%	20.0%	6.7%	7.1%	8.3%	8.3%
Not sure	50.0%	58.3%	50.0%	40.0%	46.7%	53.8%	66.7%	73.3%	71.4%	91.7%	75.0%
Bad moment	30.0%	16.7%	20.0%	13.3%	26.7%	15.4%	13.3%	20.0%	21.4%	0.0%	16.7%

In November 2010, the confidence index level of the economic activity³ was at 50.00, index lower by 20.00%, regarding the registered the month before (62.50) and higher by 33.33% regarding the observed in November 2009 (37.50).

CONFIDENCE INDEX OF THE ECONOMIC ACTIVITY JANUARY 2009 TO NOVEMBER 2010



SOURCE: Inflation Expectations Survey from the Panel of Private Analysts

³ The index is made based on four questions. Their calculation is derived from considering sub-indexes for each question; same that result from the balance of answers that are obtained subtracting, for each question, the percentage of positive answers, the percentage of negatives and add a constant of 100, with the purpose of avoiding negative quantities. The sub-indexes obtained this way for each question are averaged and the trust index results from expressing said average value as a percentage of the maximum possible average.

CONFIDENCE INDEX OF THE ECONOMIC ACTIVITY
JANUARY 2009 - NOVEMBER 2010

Month	Index	Percent change (%)		
		1-m-% change	y-o-y % change	Accumulated
2009				
January	18.18	-8.14	-55.25	-8.14
February	12.50	-31.24	-65.01	-36.84
March	15.00	20.00	-52.00	-24.20
April	13.75	-8.33	-20.01	-30.52
May	18.75	36.36	50.00	-5.26
June	15.00	-20.00	-10.02	-24.20
July	19.22	28.13	-5.37	-2.88
August	37.50	95.11	55.99	89.49
September	27.50	-26.67	6.22	38.96
October	34.73	26.29	64.68	75.49
November	37.50	7.98	135.70	89.49
December	52.50	40.00	165.29	165.29
2010				
January	61.25	16.67	236.91	16.67
February	66.67	8.85	433.36	26.99
March	65.00	-2.50	333.33	23.81
April	73.34	12.83	433.38	39.70
May	69.17	-5.69	268.91	31.75
June	69.23	0.09	361.53	31.87
July	57.50	-16.94	199.17	9.52
August	56.67	-1.44	51.12	7.94
September	47.32	-16.50	72.07	-9.87
October	62.50	32.08	79.96	19.05
November	50.00	-20.00	33.33	-4.76