



# **INFLATION EXPECTATIONS SURVEY TO THE PANEL OF PRIVATE ANALYSTS - EEI -**

**AUGUST 2008**

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 economic activity, made between the second and fourth week of August of 2008.

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

## **I. INFLATION EXPECTATIONS AND ECONOMIC ACTIVITY**

### **1. INFLATION**

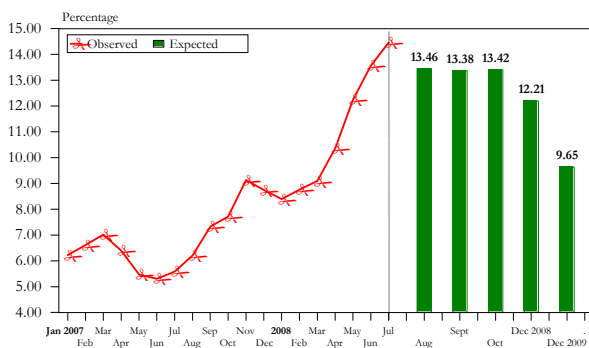
The Economic analysts surveyed foresee an inflationary rhythm of 13.46% for August 2008, while for September and October 2008 it is estimated that it will reach 13.38% and 13.42%. For the end of 2008 and 2009 of the economic analysts project an inflation of 12.21% and 9.65%, in their order.



## Inflation Expectations Survey to the Private Sector



### INFLATION OBSERVED AND EXPECTED 2007 - 2009

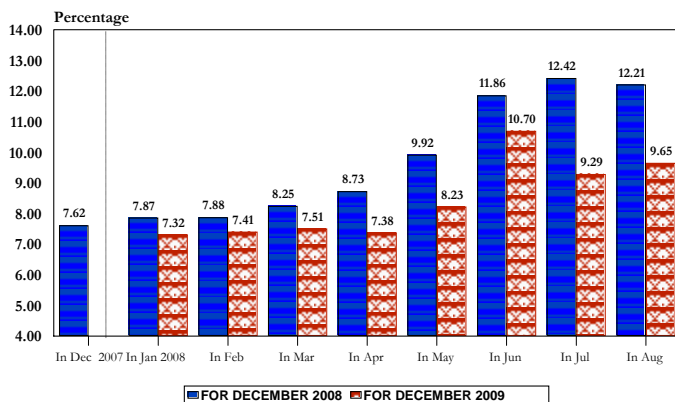


Source: Banco de Guatemala and Inflation Expectations Survey to the Panel of Private Analysts.

When comparing the results of this survey with the obtained the month before, it was observed that the expected inflationary rhythm for August it increased by 1.51 percentage points (11.95% from the survey in July 2008); while for September 2008, increased by 1.60 percentage points (11.78% in the previous survey).

For the end of 2008, this increased by 0.21 percentage points (12.42% in the previous survey). For December 2009, this increased by 0.36 percentage points (9.29, in the previous survey).

### INFLATION EXPECTATIONS FOR DECEMBER 2008 AND FOR DECEMBER 2009



SOURCE: Survey of Inflation Expectations to the Panel of Private Analysts.

In the opinion of the interviewed analysts, the main factors that could explain the forecast of inflation for 2008 are: the international price of oil, the prices of fuel, the price of raw material, the performance of the monetary policy and the performance of the fiscal policy.



## Inflation Expectations Survey to the Private Sector



### Factors that could explain the inflation forecast for December 2008

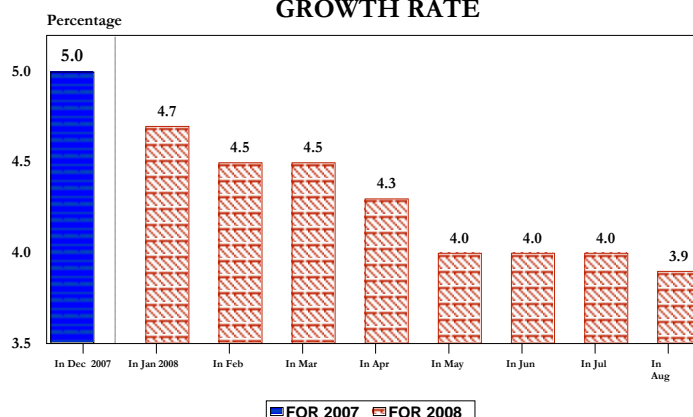
-In percentage-

Factors	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST
Price of fuel	20.59	19.36	18.92	20.00	21.62	17.86	22.22	20.34
International price of oil	23.53	22.58	21.62	22.86	21.62	21.43	22.22	18.64
Price of raw materials	8.82	22.58	16.21	17.14	18.92	17.86	19.45	18.64
Performance of monetary policy	14.71	12.90	13.51	11.43	13.52	17.86	8.33	15.25
Performance of the fiscal policy	11.77	6.45	8.10	11.43	5.41	3.57	8.33	10.18
Seasonality of agricultural products	8.82	6.45	5.41	5.71	5.41	10.71	8.33	6.78
Nominal exchange rate	2.94	3.23	5.41	2.86	2.70	-.-	-.-	3.39
Climate conditions	8.82	6.45	5.41	2.86	2.70	3.57	5.56	3.39
Others	0.00	0.00	5.41	5.71	8.10	7.14	5.56	3.39
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

## 2. ECONOMIC ACTIVITY

The Private analysts estimate that in 2008 the economic activity, measured by the Real Gross Domestic Product, will grow 3.9%, number lower by 0.10 percentage points to the forecast by economic analysts in the previous survey (4.0%).

### GROWTH EXPECTATIONS OF THE REAL GROSS DOMESTIC PRODUCT FOR 2007 AND FOR 2008 GROWTH RATE



SOURCE: Survey of Inflation Expectations to the Panel of Private Analysts.

According to the analysts interviewed, the main factors that influence the growth rhythm of the economic activity in 2008 are: the stability in the nominal exchange rate, the international price of oil, the performance of the fiscal policy and the levels of the interest rates (internal and external).



## Inflation Expectations Survey to the Private Sector



### Factors that could promote the rhythm of the Economic Activity in 2008

-In percentage-

FACTORS	January	February	March	April	May	June	July	August
Seasonality of the nominal exchange rate	8.82	4.17	9.37	7.69	19.23	17.39	17.24	12.77
International price of oil	8.82	8.33	6.25	7.69	11.54	8.70	17.24	12.77
Performance of the fiscal policy	5.88	8.33	12.50	11.54	11.54	17.39	10.34	12.77
Levels of the interest rate (internal and external)	14.71	20.83	12.50	15.38	11.54	13.03	10.34	10.64
Execution of megaprojects	5.88	12.50	12.50	3.86	7.69	8.70	6.90	8.51
Strengthening of the market	14.71	16.67	15.63	11.54	7.69	8.70	6.90	8.51
Prices of fuels	8.82	4.17	6.25	7.69	7.69	4.35	6.90	8.51
TLC with the United States of America	17.66	12.50	12.50	15.38	7.69	-	6.90	6.38
Stability in the general level of prices	5.88	4.17	9.37	7.69	3.85	4.35	3.45	4.25
Others	8.82	8.33	3.13	11.54	11.54	17.39	13.79	14.89
<b>TOTAL</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

## II. TRUST INDEX OF THE ECONOMIC ACTIVITY OF THE PANEL OF PRIVATE ANALYSTS

The Trust 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 has, which is compared with the prevailing index in the recent past. 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:

### INDICATORS ON THE LEVEL OF TRUST

Question	2008							
	January	February	March	April	May	June	July	August
7 ¿Cómo considera que evolucione el clima de los negocios para las actividades productivas del sector privado en los próximos seis meses en comparación con los pasados seis meses?								
Improve	12.5%	14.3%	0.0%	0.0%	0.0%	0.0%	0.0%	7.7%
Same	75.0%	71.4%	62.5%	50.0%	37.5%	66.7%	75.0%	76.9%
Worsen	12.5%	14.3%	37.5%	50.0%	62.5%	33.3%	25.0%	15.4%
8 ¿Considera usted que actualmente la economía del país está mejor que hace un año?								
Yes	37.5%	14.3%	37.5%	0.0%	0.0%	0.0%	0.0%	0.0%
No	62.5%	85.7%	62.5%	100.0%	100.0%	100.0%	100.0%	100.0%
9 ¿Dispone usted que la evolución económica del país mejore durante los próximos seis meses?								
Yes	25.0%	28.7%	25.0%	0.0%	0.0%	0.0%	12.5%	15.4%
No	75.0%	71.4%	75.0%	100.0%	100.0%	100.0%	87.5%	84.6%
10 ¿Cómo considera que sea la coyuntura actual de las empresas en el país para efectuar inversiones?								
Good time	0.0%	0.0%	0.0%	12.5%	12.5%	0.0%	0.0%	7.7%
Not sure	100.0%	100.0%	62.5%	62.5%	37.5%	66.7%	62.5%	53.8%
Poor time	0.0%	0.0%	37.5%	25.0%	50.0%	33.3%	37.5%	38.5%

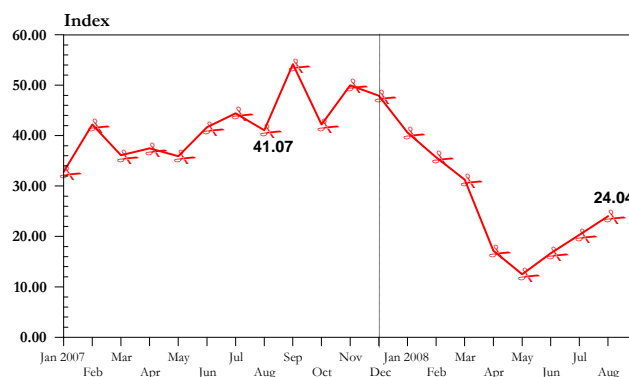


## Inflation Expectations Survey to the Private Sector



In August 2008, the trust index level of the economic activity<sup>1</sup> was at 24.04, index higher by 18.37%, regarding the registered the month before (20.31) and lower by 41.47% regarding the observed in August the previous year (41.07).

**TRUST INDEX OF THE ECONOMIC ACTIVITY  
JANUARY 2007 - AUGUST 2008**



SOURCE: Survey of Inflation Expectations to the Panel of Private Analysts.

**TRUST INDEX OF THE ECONOMIC ACTIVITY  
JANUARY 2007 - AUGUST 2008**

Month	Index	Variation		
		Monthly	Inter-annual	Accumulated
2007				
January	32.81	-55.32	-55.18	-55.32
February	42.19	28.59	-48.07	-42.55
March	36.11	-14.41	-51.85	-50.83
April	37.50	3.85	-48.78	-48.94
May	35.94	-4.16	-53.37	-51.06
June	41.67	15.94	-44.44	-43.26
July	44.44	6.65	-42.13	-39.49
August	41.07	-7.58	-43.14	-44.08
September	54.17	31.90	-27.10	-26.24
October	42.19	-22.12	-44.77	-42.55
November	50.00	18.51	-28.89	-31.92
December	47.92	-4.16	-34.75	-34.75
2008				
January	40.63	-15.21	23.83	-15.21
February	35.72	-12.08	-15.34	-25.46
March	31.25	-12.51	-13.46	-34.79
April	17.19	-44.99	-54.16	-64.13
May	12.50	-27.28	-65.22	-73.91
June	16.67	33.36	-60.00	-65.21
July	20.31	21.84	-54.30	-57.62
August	24.04	18.37	-41.47	-49.83

<sup>1</sup> 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.