



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

DECEMBER 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 quarterlyeconomic activity, held between the second and fourth week of December 2010.

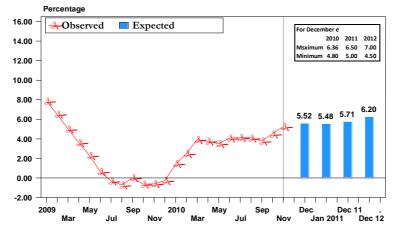
In the second part, the confidence index of the economic activity is presented, which was made based on the referred survey.

I. INFLATION EXPECTATIONS AND ECONOMIC ACTIVITY

1. INFLATION

The Economic analysts surveyed foresee a y-o-y inflation of 5.52% for December 2010 with a maximum value of 6.36% and a minimum of 4.80%; while for January 2011, they estimate that it will reach 5.48%. For December 2011, the analysts forecast an average inflation of 5.71%, registering a maximum value of 6.50% and a minimum of 5.00%. For December 2012, they consider it could reach 6.20%, with a maximum value of 7.00% and a minimum value of 4.50%.

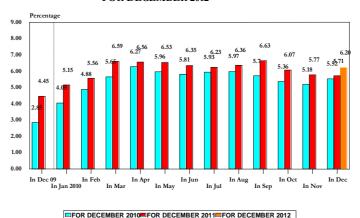
INFLATION OBSERVED AND EXPECTED 2009 - 2012



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 December 2010 increased by 0.34 percentage points (5.18% from the survey in November 2010); while for January 2011, it dropped by 0.06 percentage points (5.77% in the previous survey). For the end of 2012, the expected inflationary rate dropped by 0.21 percentage points (6.41% in the previous survey).

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



FUENTE: Encuesta de Expectativas de Inflación al Panel de Analistas Privados.

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 international price of oil, the performance of the fiscal policy, 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 percentag

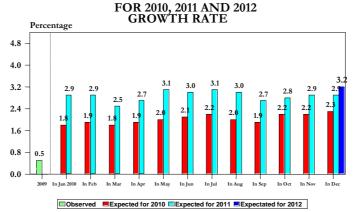
FACTORS	January	February	March	April	May	June	July	August	September	October	November	December
Price of fuels	16.67	14.29	15.91	18.30	18.64	17.24	16.67	14.29	12.86	16.98	16.39	18.03
International price of oil	16.67	19.05	18.18	21.13	20.34	18.97	10.61	14.29	14.29	13.21	14.75	18.03
Performance of the fiscal policy	10.42	11.91	15.91	15.49	18.64	13.79	12.12	14.29	14.29	13.21	14.75	16.39
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	11.48
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	11.48
Climate conditions	6.25	7.14	6.82	4.23	5.09	15.52	12.12	11.11	14.29	15.09	11.48	11.48
Type of nominal exchange rate	12.50	11.91	9.09	7.04	8.48	3.45	9.09	7.93	10.00	5.66	9.84	6.55
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	3.28
Others	6.25	9.52	9.09	4.23	3.38	1.71	4.55	1.58	2.85	3.77	3.28	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	100.00

2. ECONOMIC ACTIVITY

2.1 ANNUAL GROSS DOMESTIC PRODUCT

In December 2010, the private analysts estimated that for said year the economic activity, measured by the Real Gross Domestic Product, will register growth of 2.3%, higher by 0.1 percentage points to the forecasted in the previous survey (2.2%). For 2011, the expected rhythm is of 2.9%, remaining equal to the forecasted in the previous survey; whereas for 2012, it is estimated that it will be at 3.2%.

GROWTH OF THE REAL GROSS DOMESTIC PRODUCT OBSERVED IN 2009 AND EXPECTED



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

According to the analysts interviewed, the main factors that could promote economic activity y-o-y in 2010 are the performance of the fiscal policy, the international price of oil, the level of the interest rates (domestic and foreign), the stability in the general level of prices, the price of fuels and the execution of megaprojects.

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

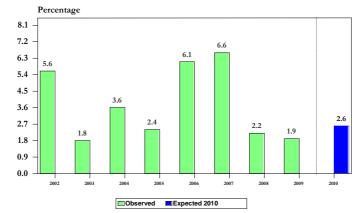
-In percentage-

FACTORS	January	Februar	March	April	May	June	July	August	September	October	November	December
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	12.77
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	12.77
Level of the interest rates (doméstic and foreign)	13.17	9.76	9.76	11.11	7.50	12.20	4.44	8.16	6.25	9.76	11.36	12.77
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	12.77
Price of fuels	7.89	9.76	12.19	8.89	15.00	12.20	13.33	12.24	10.42	9.75	13.64	10.64
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	10.64
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	8.50
Strengthening of the domestic markets	13.17	12.20	9.76	11.11	10.00	4.88	13.33	6.14	8.33	14.63	9.09	6.38
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	6.38
Others	21.05	12.20	9.76	11.11	10.00	12.20	11.11	8.16	8.33	4.88	2.27	6.38
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

2.2 QUARTERLY GROSS DOMESTIC PRODUCT

In December 2010, the private analysts estimated that the growth of the real quarterly GDP¹ corresponding to the third quarter of 2010, will register a 2.6% growth, equal to that estimated in the survey held in November 2010.

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



SOURCE: Banco de Guatemala and Inflation Expectations Survey to 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:

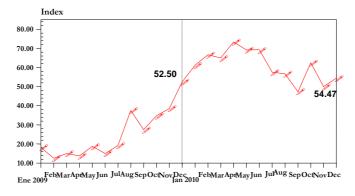
¹Due to the implementation of the Quarterly National Accounts System (CNT), the Banco de Guatemala will publish the expectation on the evolution of the Quarterly Gross Domestic Product from the Panel of Private Analysts.

INDICATORS OF THE CONFIDENCE LEVEL

0 "	2010											
Question	January	February	March	April	May	June	July	August	September	October	November	December
 How do you consider the business climate will evolve for productiv activities for the private sector in the next two to six months in 	9											
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%	21.4%
Same	60.0%	58.3%	50.0%	53.3%	40.0%	38.5%	73.3%	73.3%	78.6%	91.7%	75.0%	64.3%
Will worsen	0.0%	0.0%	0.0%	0.0%	13.3%	7.7%	20.0%	20.0%	21.4%	8.3%	25.0%	14.3%
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%	92.9%
No	50.0%	25.0%	50.0%	13.3%	6.7%	30.8%	20.0%	0.0%	28.6%	16.7%	25.0%	7.1%
10. Do you expect the economic evolution of the country to in during the next six months?	nprove											
Yes	80.0%	66.7%	80.0%	66.7%	66.7%	76.9%	53.3%	40.0%	35.7%	66.7%	41.7%	35.7%
No	20.0%	33.3%	20.0%	33.3%	33.3%	23.1%	46.7%	60.0%	64.3%	33.3%	58.3%	64.3%
How do you consider that the current situtaion for businesses in the country is, for investing?												
Good time	20.0%	25.0%	30.0%	46.7%	26.7%	30.8%	20.0%	6.7%	7.1%	8.3%	8.3%	7.1%
Not sure	50.0%	58.3%	50.0%	40.0%	46.7%		66.7%	73.3%	71.4%	91.7%	75.0%	57.2%
Bad time	30.0%	16.7%	20.0%	13.3%	26.7%	15.4%	13.3%	20.0%	21.4%	0.0%	16.7%	35.7%

In December 2010, the confidence index level of the economic activity² was at 54.47, index higher by 8.94%, regarding the registered the month before (50.00) and higher by 3.75% regarding the observed in December 2009 (52.50).

CONFIDENCE INDEX OF THE ECONOMIC ACTIVITY JANUARY 2009 - DECEMBER 2010



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

 $^{^2}$ 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 - DECEMBER 2010

		Percent change (%)							
Month	Index	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					
December	54.47	8.94	3.75	3.75					