



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

**MARCH 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 economic activity, held between the second and fourth week of March 2010.

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**

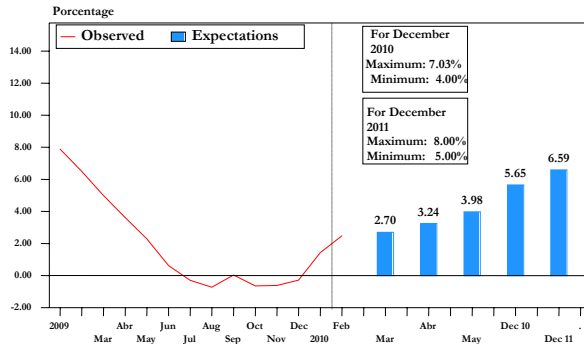
The Economic analysts surveyed foresee an inflationary rhythm of 2.70% for March 2010 with a maximum value of 3.61% and a minimum of 1.95%, while for April 2010; they estimate that it will reach 3.24%. For December 2010, the analysts forecast an average inflation of 5.65%, registering a maximum value of 7.03% and a minimum of 4.00%. For December 2011, they consider that this could reach 6.59% with a maximum value of 8.00% and a minimum of 5.00%.

On the other hand, the economic analysts estimated that for March 2011 the inflation would be at 5.39%, while for March 2012, this could be at 4.46%<sup>1</sup>.

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<sup>1</sup> 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 EXPECTATIONS 2009 - 2011

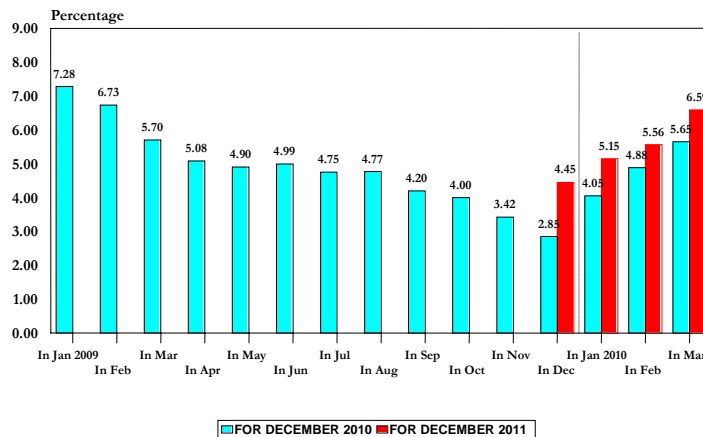


Source: Banco de Guatemala and Inflation Expectations Survey from the Panel of Private Analysts.

When comparing the results of this survey with the obtained the month before, it was observed that the expected inflationary rhythm for March 2010 increased by 0.50 percentage points (2.20% from the survey in February 2010); while for April 2010, it increased by 0.78 percentage points (2.46% in the previous survey).

For the end of 2010, the expected inflationary rhythm increased 0.77 percentage points (4.88%, in the previous survey), whereas for December 2011 it increased 1.03 percentage points (5.56% in the previous survey).

### INFLATION EXPECTATIONS FOR DECEMBER 2010 AND FOR DECEMBER 2011



SOURCE: Inflation Expectations Survey from 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 international price of oil, the prices of fuel, and the performance of the fiscal policy.

**FACTORS THAT COULD EXPLAIN THE INFLATION FORECAST FOR DECEMBER 2010**

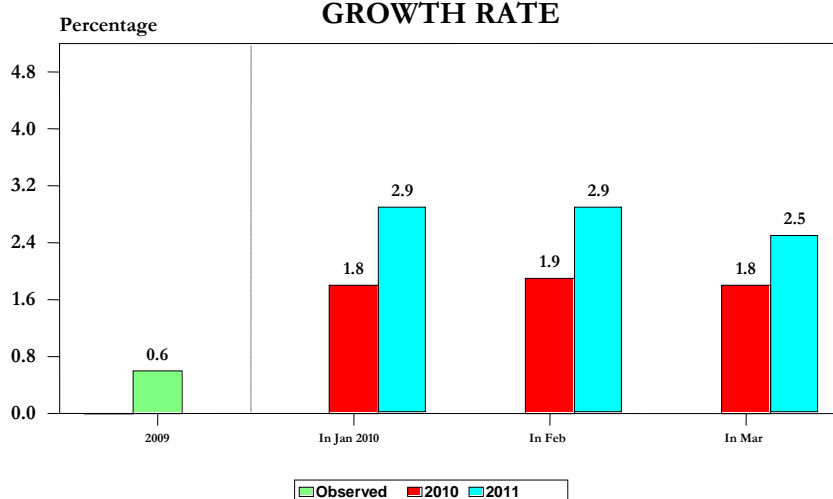
-In percentage-

<b>FACTORS</b>	<b>In January</b>	<b>In February</b>	<b>In March</b>
International price of oil	16.67	19.05	18.18
Prices of fuels	16.67	14.29	15.91
Performance of the fiscal policy	10.42	11.91	15.91
Nominal exchange rate	12.50	11.91	9.09
Performance of the monetary policy	8.33	11.91	9.09
Sesonality of the agricultural products	8.33	4.75	9.09
Prices of raw materials	14.58	9.52	6.82
Climate conditions	6.25	7.14	6.82
Other	6.25	9.52	9.09
<b>TOTAL</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

**2. ECONOMIC ACTIVITY**

In March 2010, the private analysts estimated that for said year the economic activity, measured by the Real Gross Domestic Product, will register growth of 1.8%, number lower by 0.1 percentage points to the forecasted by the economic analysts in the previous survey (1.9%). For 2011, the analysts estimate that it will be at 2.5%, number lower by 0.4 percentage points to the forecast the previous survey (2.9%).

**GROWTH FOR THE REAL GROSS DOMESTIC PRODUCT  
OBSERVED IN 2009 AND EXPECTATIONS  
FOR 2010 AND 2011  
GROWTH RATE**



SOURCE: Banco de Guatemala and Inflation Expectations Survey from 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 tax policy, the international prices of oil, the execution of megaprojects, and the prices of fuels.

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

-In percentage-

FACTORS	January	February	March
Performance of the fiscal policy	7.89	12.20	17.07
International price of oil	5.26	9.76	14.63
Execution of megaprojects	7.89	12.20	12.19
Prices of fuels	7.89	9.76	12.19
Strengthening of the domestic market	13.17	12.20	9.76
Levels of the interest rate (domestic and foreign)	13.17	9.76	9.76
Stability in the nominal exchange rate	10.53	9.76	9.76
Stability in the general level of prices	7.89	7.30	2.44
FTA with the United States of America	5.26	4.86	2.44
Others	21.05	12.20	9.76
TOTAL	100.00	100.00	100.00

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

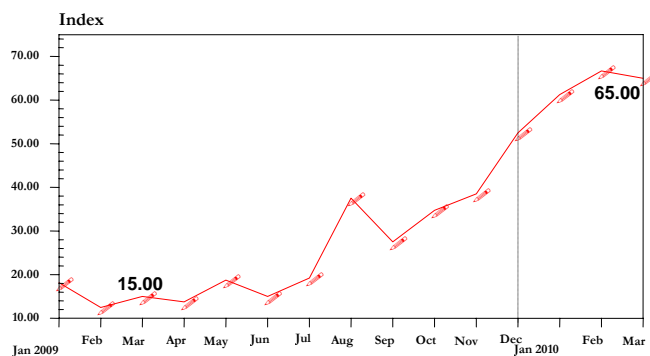
The Trust Index of the Economic Activity from the Panel of Private Analysts has the purpose of measuring the perception on the current economic situation and the environment for business that the interviewed economic analysts have, which is compared with the prevailing index in the recent past. Also, 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 TRUST LEVEL

Question	2009												2010		
	Enero	Febrero	Marzo	Abril	Mayo	Junio	Julio	Agosto	Septiembre	Octubre	Noviembre	Diciembre	Enero	Febrero	Marzo
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?	Mejorará	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	12.5%	20.0%	0.0%	16.7%	20.0%	40.0%	41.7%	50.0%
	Igual	45.5%	42.9%	40.0%	60.0%	50.0%	50.0%	46.2%	75.0%	60.0%	77.8%	58.3%	60.0%	60.0%	58.3%
	Emporará	54.5%	57.1%	60.0%	40.0%	50.0%	50.0%	53.8%	12.5%	20.0%	22.2%	25.0%	20.0%	0.0%	0.0%
8 ¿Considera usted que actualmente la economía del país está mejor que hace un año?	Sí	18.2%	0.0%	10.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	8.3%	20.0%	50.0%	75.0%	50.0%
	No	81.8%	100.0%	90.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	91.7%	80.0%	50.0%	25.0%	50.0%
9 ¿Espera usted que la evolución económica del país mejore durante los próximos seis meses?	Sí	0.0%	14.3%	10.0%	0.0%	25.0%	10.0%	23.1%	62.5%	30.0%	66.7%	66.7%	100.0%	80.0%	66.7%
	No	100.0%	85.7%	90.0%	100.0%	75.0%	90.0%	76.9%	37.5%	70.0%	33.3%	33.3%	0.0%	20.0%	33.3%
10 ¿Cómo considera que sea la coyuntura actual de las empresas en el país para efectuar inversiones?	Buen momento	0.0%	0.0%	0.0%	0.0%	0.0%	7.6%	0.0%	0.0%	0.0%	8.3%	10.0%	20.0%	25.0%	30.0%
	No está seguro	63.6%	42.9%	40.0%	50.0%	50.0%	50.0%	46.2%	75.0%	60.0%	66.7%	50.0%	60.0%	50.0%	58.3%
	Mal momento	36.4%	57.1%	60.0%	50.0%	50.0%	50.0%	46.2%	25.0%	40.0%	33.3%	41.7%	30.0%	30.0%	16.7%

In March 2010, the trust index level of the economic activity<sup>2</sup> was at 65.00, index lower by 2.5%, regarding the registered the month before (66.67) and higher by 333.33% regarding the observed in March 2009 (15.00).

**TRUST INDEX OF THE ECONOMIC ACTIVITY  
JANUARY 2009 - MARCH 2010**



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

**TRUST INDEX FROM THE ECONOMIC ACTIVITY  
JANUARY 2009 - MARCH 2010**

Month	Index	Variation (%)		
		Intermonthly	Inter-annual	Accumulated
<b>2009</b>				
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
<b>2010</b>				
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

RFRV/tjsr

<sup>2</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.