

# BANCO CENTRAL DO BRASIL – FOCUS

July 28, 2000

*Introducing Top5 forecasters median expectations for price indices (Table 2). Median of market expectations for inflation measured by the IGP-DI and IGP-M adjusted higher to 7.54% from 7.50%, and to 7.76% from 7.71% for 2000, respectively.* The median expectation for the IPCA in 2000 rose to 5.97% from 5.90%. The median expectation for the IPC-Fipe for 2000 increased to 5.23% from 5.08%. For the month of July, it changed to 1.10% from 0.90%; the IGP-DI to 1.57% from 1.28%; the IPCA to 1.05% from 0.95%. For the month of August the IGP-M median expectation increased to 1.00% from 0.90%. Forecasts for the trade balance surplus remained unchanged at US\$2.20 billion and US\$4.50 billion for 2000 and 2001, respectively. Forecasts for other economic indicators are quoted in the tables below and in the figures below.

Table 1

## Market Readout

*Banco Central do Brasil Daily Survey on Market Expectations  
Median of Market Expectations*

### PRICE INDICES

	July		August	
(% change)	as of July 21	As of today	as of July 21	as of today
IGP-DI	1.28	1.57	0.76	0.73
IGP-M	1.20	-	0.90	1.00
IPC-Fipe	0.90	1.10	0.90	1.10
INPC	0.80	0.90	0.70	0.90
IPCA	0.95	1.05	0.70	1.05

	2000		2001	
IGP-DI	7.50	7.54	4.75	4.75
IGP-M	7.71	7.76	4.50	4.50
IPC-Fipe	5.08	5.23	4.00	4.00
INPC	5.40	5.40	4.00	4.00
IPCA	5.90	5.97	4.22	4.22

### OTHER ECONOMIC INDICATORS

	2000		2001	
	as of July 21	As of today	as of July 21	As of today
GDP growth (%)	3.40	3.40	4.00	4.00
Trade Balance (US\$ billion)	2.20	2.20	4.50	4.50
Current Account (US\$ billion)	-23.97	-23.97	-23.30	-23.30
Fiscal Figures (% of GDP)				
- Primary Balance	3.10	3.10	3.00	3.00
- Nominal Balance	-4.00	-4.00	-3.00	-3.00

Top 5 median expectations indices are calculated from the full sample based on the five institutions with minima penalty scores, calculated from observations on the institution's degree of forecast precision over the last four months. Each inflation figure that is released creates two penalty scores for each institution, that are the quadratic errors of the *forecasts that the institution informed two and one day before the release* of the actual figure. If the institution did not inform any value for those days, it receives the penalty of the worst performer in the sample for the period. The monthly penalty is calculated according to the formula below.

$$\text{monthlypenalty} = \frac{(100 \cdot (E[\pi_t | t-2] - \pi_t))^2 + (100 \cdot (E[\pi_t | t-1] - \pi_t))^2}{1000}$$

where  $\pi$  denotes inflation in percentage points

**Table 2**

***Market Readout***

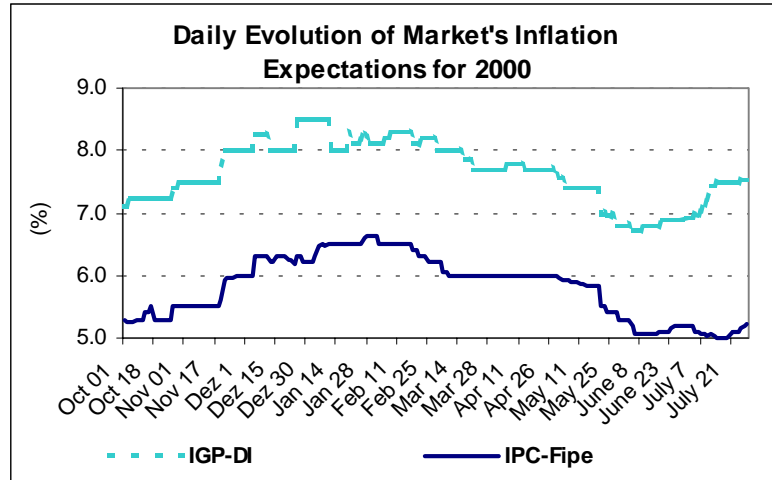
*Banco Central do Brasil Daily Survey on Market Expectations  
Top 5 Median Expectations*

	<b>July</b>		<b>August</b>	
(% change)	as of July 21	As of today	as of July 21	as of today
IGP-DI	1.30	1.66	0.95	0.92
IGP-M	1.36	-	1.13	1.05
IPC-Fipe	0.99	1.30	1.13	1.10
INPC	0.83	0.98	0.75	0.75
IPCA	1.00	1.15	0.80	0.80

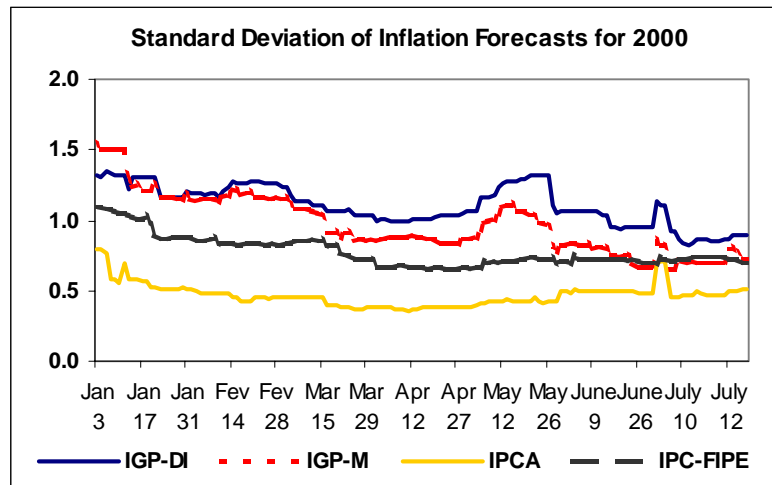
  

	<b>2000</b>		<b>2001</b>	
IGP-DI	8.18	8.18	4.60	4.63
IGP-M	7.05	7.29	4.75	4.75
IPC-Fipe	5.15	5.17	4.25	4.25
INPC	5.45	5.30	4.00	4.00
IPCA	5.80	5.95	4.00	4.00

**Figure 1**  
**Central Bank Daily Survey on Market Expectations**  
**Evolution of Median Expectations for Inflation**



**Figure 2**  
**Dispersion of Inflation Forecasts for 2000**



*Information for unrestricted disclosure. It is not intended to bind Banco Central do Brasil in its monetary or foreign exchange policy actions. Contact information for e-mail distribution at [gci.bacen@bcb.gov.br](mailto:gci.bacen@bcb.gov.br)*