

# BANCO CENTRAL DO BRASIL – FOCUS

August 11, 2000

*Daily Survey on Market Expectations expanded to incorporate a 7% larger sample of institutions, which are at present kindly providing revised inputs with added frequency.*

Median of market expectations for inflation measured by the IGP-DI and IGP-M increased to 8.50% from 7.95%, and to 8.50% from 7.92% for 2000, respectively. The median expectation for the IPCA in 2000 adjusted higher to 6.02% from 6.00%. The median expectation for the INPC for 2000 increased to 5.66% from 5.45%. For the month of August, the IGP-DI median expectation changed to 1.33% from 0.89%; the IGP-M to 1.90% from 1.20%; the IPCA median expectation increased to 0.87% from 0.83%. Forecasts for the trade surplus declined to US\$ 1.50 from US\$ 2.00 billion for 2000, and to US\$ 3.70 billion from US\$ 4.50 billion for 2001. Forecasts for other economic indicators, along with median expectations for the Top 5 forecasters, which were updated to reflect July's degree of precision, are quoted in the tables and figures below.

**Table 1**

## **Market Readout**

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

### **PRICE INDICES**

(% change)	August		September	
	as of August 4	as of today	as of August 4	as of today
IGP-DI	0.89	1.33	0.50	0.50
IGP-M	1.20	1.90	0.50	0.50
IPC-Fipe	1.09	1.17	0.56	0.55
INPC	0.80	0.81	0.50	0.55
IPCA	0.83	0.87	0.53	0.51

	2000		2001	
IGP-DI	7.95	8.50	5.00	5.00
IGP-M	7.92	8.50	4.65	4.90
IPC-Fipe	5.30	5.50	4.00	4.00
INPC	5.45	5.66	4.00	4.00
IPCA	6.00	6.02	4.20	4.21

### **OTHER ECONOMIC INDICATORS**

	2000		2001	
	as of August 4	as of today	as of August 4	as of today
GDP growth (%)	3.50	3.50	4.00	4.05
Trade Balance (US\$ billion)	2.00	1.50	4.50	3.70
Current Account (US\$ billion)	-24.10	-24.50	-23.20	-23.50
Fiscal Figures (% of GDP)				
- Primary Balance	3.10	3.20	3.00	3.00
- Nominal Balance	-4.00	-3.80	-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.

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

where  $\pi$  denotes inflation in percentage points

**Table 2**

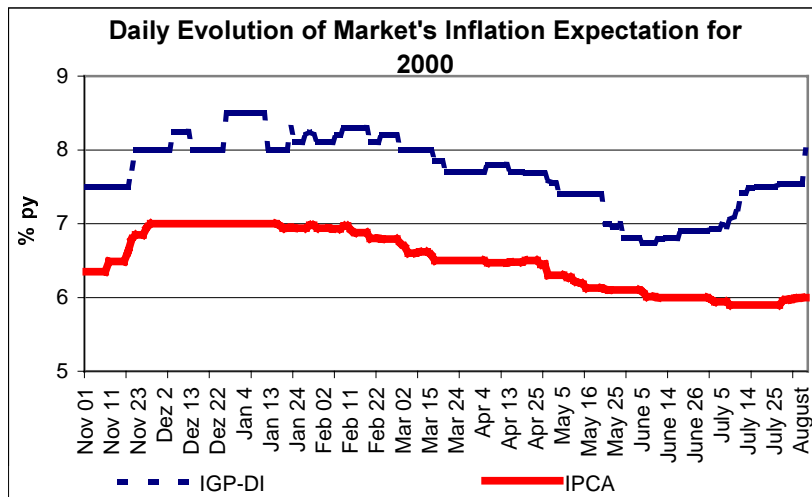
## **Market Readout**

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

	<b>August</b>		<b>September</b>		
	(% change)	as of August 4	As of today	as of August 4	as of today
IGP-DI		0.90	1.50	0.45	0.50
IGP-M		0.90	1.95	0.46	0.40
IPC-Fipe		1.03	1.20	0.88	0.40
INPC		0.83	0.80	0.60	0.50
IPCA		0.83	0.90	0.55	0.50

	<b>2000</b>		<b>2001</b>	
	IGP-DI	7.83	8.80	5.25
IGP-M	7.10	8.69	4.50	5.00
IPC-Fipe	5.32	5.50	4.50	4.05
INPC	5.60	5.80	4.00	4.00
IPCA	5.97	6.00	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**

