

BANCO CENTRAL DO BRASIL – FOCUS

August 18, 2000

Median of market expectations for inflation measured by IGP-DI and IGP-M adjusted higher to 8.69% from 8.50% and 8.70% from 8.50% for 2000, respectively. The median expectation for the IPCA in 2000 increased to 6.11% from 6.02% and the median expectation for the INPC for 2000 increased to 5.80% from 5.66%. For the month of August, the IGP-DI median expectation changed to 1.45% from 1.33%; the IGP-M to 2.00% from 1.90%; the IPCA median expectation increased to 0.94% from 0.87%. Forecasts for the trade surplus remained stable at US\$1.50 billion for 2000 and declined to US\$3.50 billion from US\$3.70 billion for 2001. Forecasts for other economic indicators, along with median expectations for the Top 5 forecasters 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 11 | as of today | as of August 11 | as of today |
| IGP-DI | 1.33 | 1.45 | 0.50 | 0.50 |
| IGP-M | 1.90 | 2.00 | 0.50 | 0.50 |
| IPC-Fipe | 1.17 | 1.25 | 0.55 | 0.54 |
| INPC | 0.81 | 0.90 | 0.55 | 0.50 |
| IPCA | 0.87 | 0.94 | 0.51 | 0.50 |

| | 2000 | | 2001 | |
|----------|------|------|------|------|
| IGP-DI | 8.50 | 8.69 | 5.00 | 5.00 |
| IGP-M | 8.50 | 8.70 | 4.90 | 5.00 |
| IPC-Fipe | 5.50 | 5.60 | 4.00 | 4.00 |
| INPC | 5.66 | 5.80 | 4.00 | 4.00 |
| IPCA | 6.02 | 6.11 | 4.21 | 4.30 |

OTHER ECONOMIC INDICATORS

| | 2000 | | 2001 | |
|-----------------------------------|-----------------|-------------|-----------------|-------------|
| | as of August 11 | as of today | as of August 11 | as of today |
| GDP growth (%) | 3.50 | 3.60 | 4.05 | 4.05 |
| Trade Balance (US\$ billion) | 1.50 | 1.50 | 3.70 | 3.50 |
| Current Account (US\$ billion) | -24.50 | -24.58 | -23.50 | -23.70 |
| Fiscal Figures (% of GDP) | | | | |
| - Primary Balance | 3.20 | 3.24 | 3.00 | 3.00 |
| - Nominal Balance | -3.80 | -3.80 | -3.00 | -2.91 |

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 π denotes inflation in percentage points

Table 2

Market Readout

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

| | August | | September | |
|------------|-----------------|-------------|------------------|-------------|
| (% change) | as of August 11 | As of today | as of August 11 | as of today |
| IGP-DI | 1.50 | 1.50 | 0.50 | 0.50 |
| IGP-M | 1.95 | 2.10 | 0.40 | 0.40 |
| IPC-Fipe | 1.20 | 1.20 | 0.40 | 0.35 |
| INPC | 0.80 | 0.90 | 0.50 | 0.50 |
| IPCA | 0.90 | 0.90 | 0.50 | 0.40 |

| | 2000 | | 2001 | |
|----------|-------------|------|-------------|------|
| IGP-DI | 8.80 | 8.80 | 5.00 | 4.50 |
| IGP-M | 8.69 | 8.70 | 5.00 | 5.00 |
| IPC-Fipe | 5.50 | 5.50 | 4.05 | 4.00 |
| INPC | 5.80 | 5.90 | 4.00 | 4.00 |
| IPCA | 6.00 | 6.10 | 4.00 | 4.00 |

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

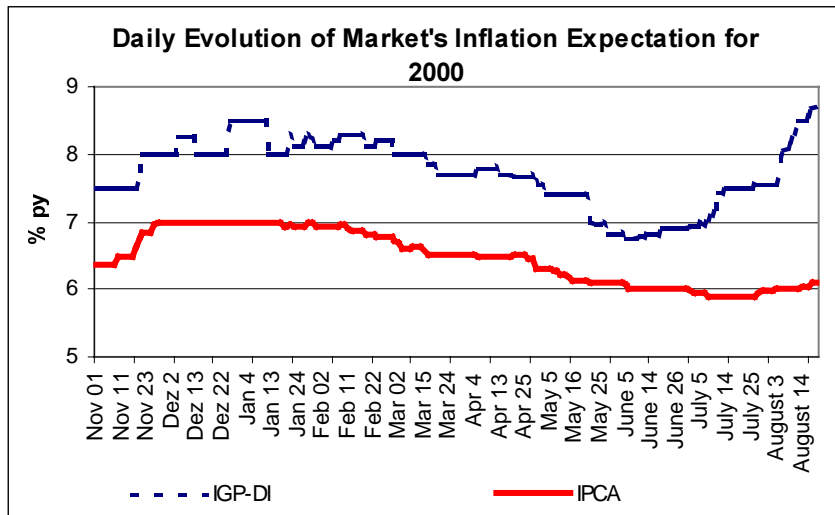
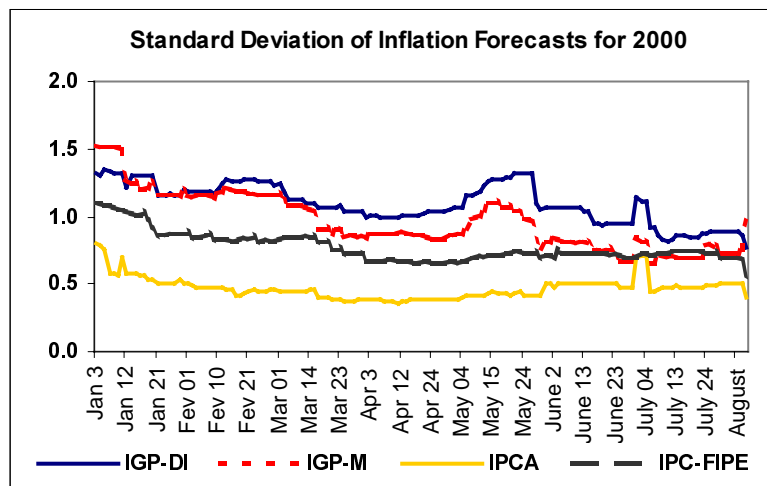


Figure 2
Dispersion of Inflation Forecasts for 2000



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