

BANCO CENTRAL DO BRASIL – FOCUS

November 17, 2000

Median of market expectations for all indices of inflation for 2000 decreased last week, as tracked by Banco Central do Brasil daily survey. Expectations for the IPCA reduced to 6.15% from 6.20%, INPC to 5.60% from 5.70%, IPC-Fipe to 5.21% from 5.29%, IGP-M to 9.92% from 10.0% and the IGP-DI decreased to 9.63% from 9.65%. Median of market expectations for the nominal deficit of the consolidated public sector increased to 3.90% of GDP from 3.85% of GDP for 2000 and to 3.00% of GDP from 2.95% of GDP for 2001. Expectations for the trade balance declined to US\$ 2.0 billion from US\$ 2.05 billion for 2001, remaining stable at US\$0.0 billion for 2000. Forecasts for the current account deficit increased to US\$25.1 billion from US\$25.00 billion for 2000. 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)	November		December	
	as of November 10	As of today	as of November 10	As of today
IGP-DI	0.50	0.50	0.45	0.43
IGP-M	0.45	0.45	0.50	0.50
IPC-Fipe	0.38	0.35	0.45	0.45
INPC	0.50	0.45	0.50	0.50
IPCA	0.46	0.42	0.45	0.45

	2000		2001	
	as of November 10	As of today	as of November 10	As of today
IGP-DI	9.65	9.63	5.30	5.33
IGP-M	10.0	9.92	5.00	5.13
IPC-Fipe	5.29	5.21	4.00	4.00
INPC	5.70	5.60	4.30	4.30
IPCA	6.20	6.15	4.30	4.30

OTHER ECONOMIC INDICATORS

	2000		2001	
	as of November 10	As of today	as of November 10	As of today
GDP growth (%)	3.90	3.90	4.15	4.15
Trade Balance (US\$ billion)	0.00	0.00	2.05	2.00
Current Account (US\$ billion)	-25.00	-25.10	-24.90	-24.90
Fiscal Figures (% of GDP)				
- Primary Balance	3.25	3.25	3.00	3.00
- Nominal Balance	-3.85	-3.90	-2.95	-3.00

Table 2**Market Readout**

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

	November		December		
	(% change)	as of November 10	As of today	as of November 10	As of today
IGP-DI		0.60	0.60	0.50	0.50
IGP-M		0.50	0.45	0.63	0.58
IPC-Fipe		0.34	0.30	0.59	0.59
INPC		0.50	0.50	0.55	0.62
IPCA		0.40	0.40	0.56	0.57

	2000		2001	
	IGP-DI	9.70	9.70	5.50
IGP-M	10.20	10.00	5.50	5.50
IPC-Fipe	5.30	5.20	4.20	4.15
INPC	5.70	5.70	4.00	4.00
IPCA	6.30	6.30	4.28	4.28
GDP	4.00	4.00	4.50	4.50

Explanatory Note

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.

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

where π denotes inflation in percentage points.

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

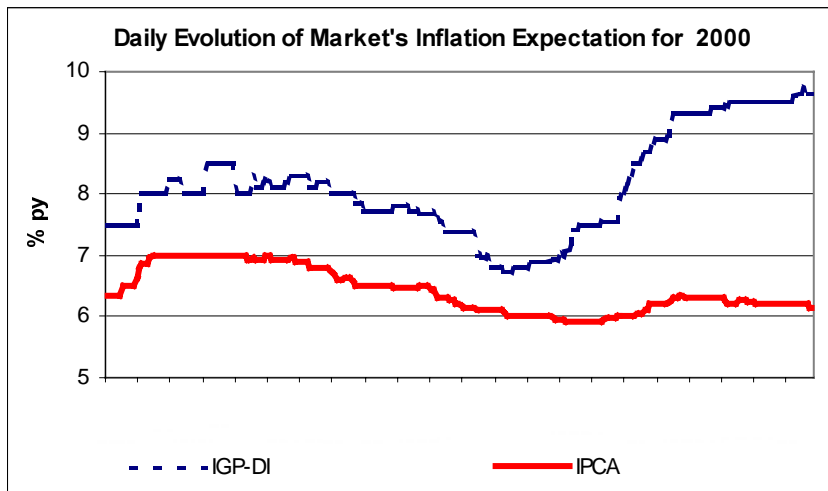
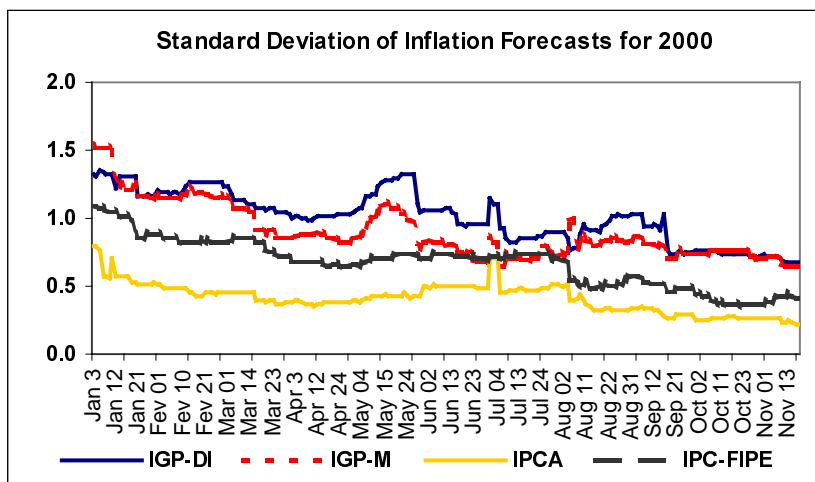


Figure 2
Dispersion of Inflation Forecasts for 2000



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