

# BANCO CENTRAL DO BRASIL – FOCUS

March 02, 2001

*Median of market expectations for inflation measured by the consumer price index IPC-Fipe declined to 0.04% from 0.07% for February and remained stable at 4.00% and 3.50% for 2000 and 2001 respectively, as tracked by Banco Central do Brasil daily survey.*

Expectations for the consumer price index IPCA remained stable at 4.20% for 2001 and at 3.70% for year 2002. Expectations for the IGP-DI remained stable at 0.15% for February and at 4.00% for year 2002. Median of market expectations for the trade balance increased to a deficit of US\$0.52 billion from US\$0.27 billion for the year 2001. Expectations for the current account deficit remained stable at US\$26.50 billion for 2001 and increased to US\$26.10 billion from US\$25.90 billion for 2002. Forecasts for the exchange rate increased to R\$/US\$ 2.03 from R\$/US\$ 2.02 for 2001. Forecasts for other economic indicators, along with median expectations for the Top 5 forecasters are quoted in the tables and figures below. **The Top 5 forecasters for the IGP-M February 2001, according to the explanatory note, in order of accuracy are: 1) BBV Banco; 2) Banco Fator; 3) Citibank; 4) CSFB Garantia and 5) Banco Modal.**

**Table 1**  
**Market Readout**

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

PRICE INDICES				
(% change)	February		March	
	As of February 23	As of today	As of February 23	As of today
IGP-DI	0.15	0.15	0.13	0.15
IGP-M	-	-	0.17	0.17
IPC-Fipe	0.07	0.04	0.20	0.20
INPC	0.20	0.21	0.18	0.16
IPCA	0.20	0.20	0.20	0.20
	2001		2002	
IGP-DI	5.00	5.00	4.00	4.00
IGP-M	5.00	5.00	4.00	4.00
IPC-Fipe	4.00	4.00	3.50	3.50
INPC	4.06	4.06	3.50	3.50
IPCA	4.20	4.20	3.70	3.70

## OTHER ECONOMIC INDICATORS

	2001		2002	
	As of February 23	As of today	As of February 23	As of today
GDP growth (%)	4.10	4.10	4.50	4.50
Trade Balance (US\$ billion)	-0.27	-0.52	1.10	1.00
Current Account (US\$ billion)	-26.50	-26.50	-25.90	-26.10
Fiscal Figures (% of GDP)				
- Primary Balance	3.00	3.00	2.70	2.70
- Nominal Balance	-3.15	-3.15	-3.00	-3.00
Exchange Rate End of period (R\$/US\$)	2.02	2.03	2.10	2.10
Over-Selic End of period (% p.y.)	13.75	13.75	12.44	12.44

### Table 2 Market Readout

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

	February		March	
	As of February 23	As of today	As of February 23	As of today
(% change)				
IGP-DI	0.15	0.15	0.10	0.10
IGP-M	0.25	-	0.20	0.15
IPC-Fipe	0.00	0.00	0.22	0.20
INPC	0.13	0.25	0.10	0.10
IPCA	0.15	0.15	0.10	0.10

	2001		2002	
	As of February 23	As of today	As of February 23	As of today
IGP-DI	4.80	4.80	4.38	4.38
IGP-M	5.50	5.00	4.40	4.40
IPC-Fipe	3.60	3.60	3.50	3.50
INPC	4.15	4.20	3.50	3.50
IPCA	4.00	4.00	3.50	3.50
GDP	4.00	4.20	4.00	4.00

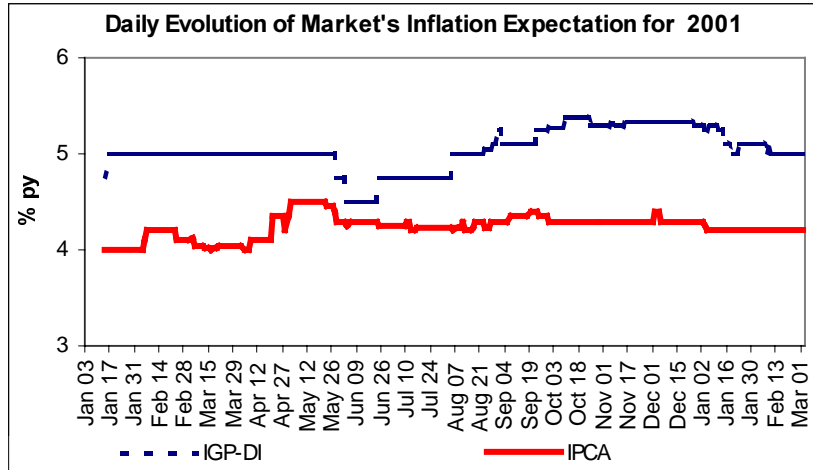
### Explanatory Note

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.

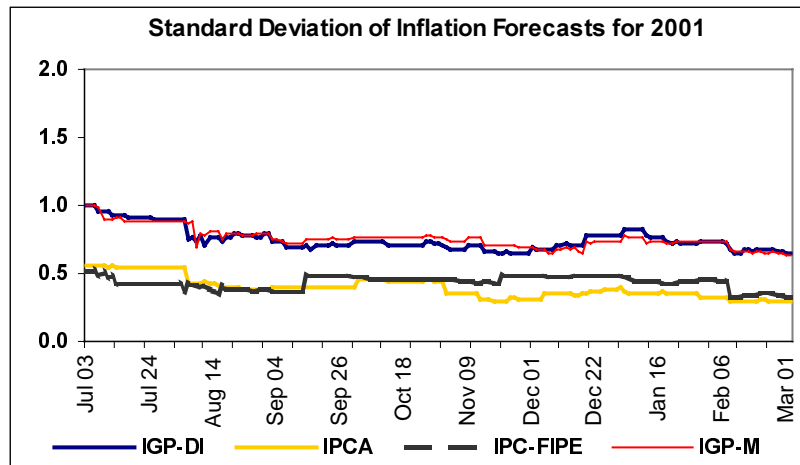
$$monthlypenalty = \frac{(100 \cdot (E[\pi_t | t-2] - \pi_t))^2 + (100 \cdot (E[\pi_t | t-1] - \pi_t))^2}{1000}$$

where  $\pi$  denotes inflation in percentage points.

**Figure 1**  
**Evolution of Median Expectations for Inflation**  
 Banco Central do Brasil Daily Survey on Market Expectations



**Figure 2**  
**Dispersion of Inflation Forecasts for 2001**



*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)*