

BANCO CENTRAL DO BRASIL – FOCUS

March 16, 2001

Median of market expectations for the GDP growth increased to 4.20% from 4.15% for 2001 and remained stable at 4.50% for year 2002, as tracked by Banco Central do Brasil daily survey. Expectations for the consumer price index IPCA increased to 0.25% from 0.22% for March and decreased to 0.29% from 0.30% for April, and remained stable at 4.20% and 3.70% for 2001 and for year 2002 respectively. Expectations for the IGP-DI increased to 0.33% from 0.20% for March and remained stable at 4.00% for 2002. Median of market expectations for the trade balance increased to a deficit of US\$0.70 billion from US\$0.61 billion for the year 2001 and remained stable at US\$1.00 billion for 2002. Forecasts for the current account deficit remained stable at US\$26.50 billion for 2001. Median of market expectations for the Over-Selic rate increased to 14.00% from 13.78% for 2001 and declined to 12.60% from 12.77% for 2002. Forecasts for the exchange rate remained stable at R\$/US\$ 2.05 for 2001. Expectations 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 IPCA February 2001, according to the explanatory note, in order of accuracy are: 1) CSFB Garantia; 2) Banco Matrix; 3) Bank Boston ; 4) Citibank and 5) Banco Pactual.**

Table 1
Market Readout

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

PRICE INDICES				
(% change)	March		April	
	As of March 9	As of today	As of March 9	As of today
IGP-DI	0.20	0.33	0.19	0.21
IGP-M	0.22	0.40	0.20	0.20
IPC-Fipe	0.19	0.25	0.20	0.20
INPC	0.16	0.22	0.35	0.20
IPCA	0.22	0.25	0.30	0.29
	2001		2002	
IGP-DI	5.00	5.08	4.00	4.00
IGP-M	5.08	5.10	4.00	4.00
IPC-Fipe	4.00	4.00	3.50	3.50
INPC	4.10	4.24	3.50	3.51
IPCA	4.20	4.20	3.70	3.70

OTHER ECONOMIC INDICATORS

	2001		2002	
	As of March 9	As of today	As of March 9	As of today
GDP growth (%)	4.15	4.20	4.50	4.50
Trade Balance (US\$ billion)	-0.61	-0.70	1.00	1.00
Current Account (US\$ billion)	-26.50	-26.50	-26.66	-26.83
Fiscal Figures (% of GDP)				
- Primary Balance	3.00	3.00	2.70	2.70
- Nominal Balance	-3.20	-3.30	-3.00	-2.95
Exchange Rate End of period (R\$/US\$)	2.05	2.05	2.10	2.11
Over-Selic End of period (% p.y.)	13.78	14.00	12.77	12.60

Table 2 Market Readout

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

	March		April	
	As of March 9	As of today	As of March 9	As of today
(% change)				
IGP-DI	0.15	0.22	0.18	0.20
IGP-M	0.22	0.45	0.17	0.18
IPC-Fipe	0.15	0.24	0.30	0.44
INPC	0.14	0.30	0.10	0.28
IPCA	0.15	0.25	0.13	0.48

	2001		2002	
	As of March 9	As of today	As of March 9	As of today
IGP-DI	4.80	4.80	4.38	4.00
IGP-M	5.10	5.10	4.40	4.29
IPC-Fipe	3.75	3.97	3.50	3.54
INPC	4.28	4.30	3.50	3.50
IPCA	4.08	4.08	3.50	3.50
GDP	4.20	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.

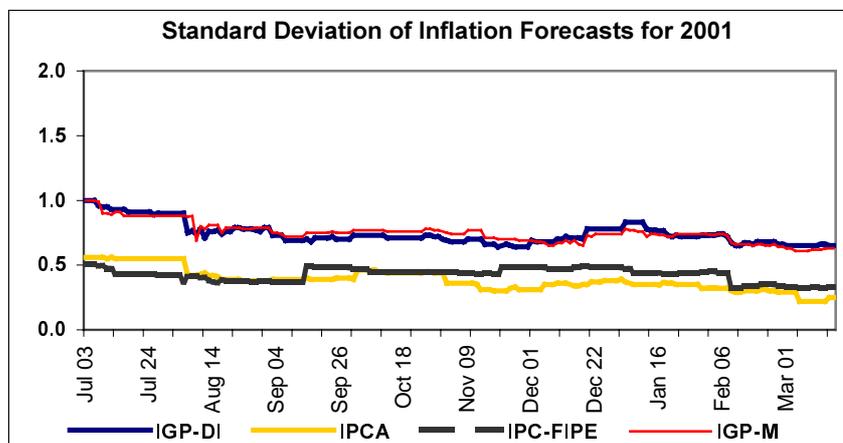
$$monthlypenalty = \frac{(100 \cdot (E[\pi_t | t-2] - \pi_t))^2 + (100 \cdot (E[\pi_t | t-1] - \pi_t))^2}{1000}$$

where π 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



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