BANCO CENTRAL DO BRASIL – *FOCUS*

April 20, 2001

Median of market expectations for the GDP growth remained stable at 4.10% for 2001 and increase to 4.50% from 4.49% for year 2002, as tracked by Banco Central do Brasil daily survey. Forecasts for the consumer price index IPCA remained stable at 0.30% for April, 2001 and increased to 0.31% from 0.30% for May, 2001. Expectations for the IPC-Fipe declined to 0.35% from 0.37% for May, 2001. Forecasts for the IGP-DI increased to 0.35% from 0.33% for May, 2001 and remained stable at 4.00% for year 2002. Median of market expectations for the trade balance declined to US$0.44 billion from US$ 0.47 billion for 2002. Expectations for the current account deficit declined to US$27.00 billion from US$27.10 billion for year 2001 and remained stable at US$27.00 billion for 2002. Median of market expectations for the Over-Selic rate increased to 14.75% from 14.59% for 2001 and remained stable at 13.00% for year 2002. Forecasts for the exchange rate remained stable at R$/US$2.10 and R$/US$2.16 for 2001 and for 2002, respectively. Expectations 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)	April		May	
	As of April 12	As of today	As of April 12	As of today
IGP-DI	0.35	0.45	0.33	0.35
IGP-M	0.43	0.60	0.30	0.33
IPC-Fipe	0.27	0.30	0.37	0.35
INPC	0.30	0.30	0.30	0.30
IPCA	0.30	0.30	0.30	0.31
	2001		**2002**	
IGP-DI	5.56	5.65	4.00	4.00
IGP-M	5.50	5.73	4.00	4.00
IPC-Fipe	4.30	4.30	3.50	3.50
INPC	4.60	4.60	3.50	3.50
IPCA	4.50	4.54	3.66	3.70

OTHER ECONOMIC INDICATORS

	2001		2002	
	As of April 12	As of today	As of April 12	As of today
GDP growth (%)	4.10	4.10	4.49	4.50
Trade Balance (US$ billion)	-1.20	-1.16	0.47	0.44
Current Account (US$ billion)	-27.10	-27.00	-27.00	-27.00
Fiscal Figures (% of GDP)				
- Primary Balance	3.00	3.00	2.70	2.70
- Nominal Balance	-3.45	-3.50	-3.10	-3.30
Exchange Rate End of period (R$/US$)	2.10	2.10	2.16	2.16
Over-Selic End of period (% p.y.)	14.59	14.75	13.00	13.00

Table 2
Market Readout
Banco Central do Brasil Daily Survey on Market Expectations
Top 5 Median Expectations

	April		May	
(% change)	As of April 12	As of today	As of April 12	As of today
IGP-DI	0.50	0.60	0.39	0.35
IGP-M	0.60	0.70	0.36	0.36
IPC-Fipe	0.32	0.32	0.37	0.32
INPC	0.30	0.30	0.40	0.39
IPCA	0.35	0.35	0.52	0.52

	2001		2002	
IGP-DI	5.30	5.50	4.00	4.00
IGP-M	5.96	6.00	4.00	4.00
IPC-Fipe	4.19	4.19	3.35	3.35
INPC	4.80	5.10	3.50	3.50
IPCA	4.60	4.60	3.50	3.50
GDP	4.00	4.00	4.40	4.40

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.

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

where π denotes inflation in percentage points.

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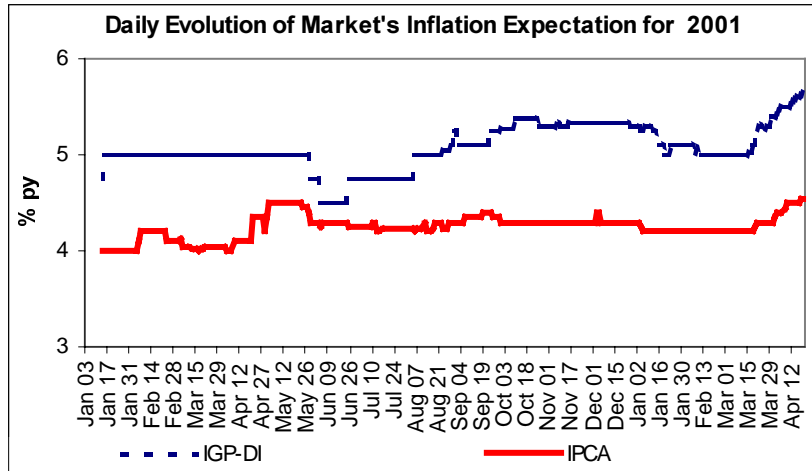*Banco Central do Brasil Daily Survey on Market Expectations*

Daily Evolution of Market's Inflation Expectation for 2001

Figure 2

Dispersion of Inflation Forecasts for 2001

Standard Deviation of Inflation Forecasts for 2001