

# BANCO CENTRAL DO BRASIL – *FOCUS*

May 18, 2001

*Median of market expectations for the GDP growth decreased to 4.00% from 4.10% for year 2001, as tracked by Banco Central do Brasil daily survey.* Forecasts for the consumer price index IPCA increased to 0.40% from 0.35% for May, 2001 and rose to 5.00% from 4.67% for year 2001. Expectations for the IPC-Fipe increased to 0.50% from 0.45% for May, 2001 and remained stable at 3.50% for year 2002. Forecasts for the IGP-DI increased to 6.50% from 6.15% for 2001. Median of market expectations for the trade balance increased to a deficit of US\$1.50 billion from US\$1.25 billion for year 2001. Expectations for the current account deficit decreased to US\$27.00 billion from US\$27.27 billion for 2001. Median of market expectations for the Over-Selic rate increased to 16.00% from 15.00% for 2001 and rose to 14.12% from 13.38% for year 2002. Forecasts for the exchange rate increased to R\$/US\$2.15 from R\$/US\$2.12 for 2001. On the fiscal side, market participants continue expecting a primary surplus of 3.00% of GDP for 2001, while a nominal deficit was revised to 3.95% from 3.65% of GDP for 2001. 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)	May		June	
	As of May 11	As of today	As of May 11	As of today
IGP-DI	0.45	0.50	0.56	0.61
IGP-M	0.49	0.59	0.50	0.55
IPC-Fipe	0.45	0.50	0.35	0.45
INPC	0.35	0.40	0.40	0.40
IPCA	0.35	0.40	0.40	0.45
	2001		2002	
IGP-DI	6.15	6.50	4.00	4.02
IGP-M	6.10	6.54	4.00	4.00
IPC-Fipe	4.50	4.90	3.50	3.50
INPC	4.64	5.19	3.50	3.50
IPCA	4.67	5.00	3.70	3.80

## OTHER ECONOMIC INDICATORS

	2001		2002	
	As of May 11	As of today	As of May 11	As of today
GDP growth (%)	4.10	4.00	4.45	4.20
Trade Balance (US\$ billion)	-1.25	-1.50	-0.20	-0.10
Current Account (US\$ billion)	-27.27	-27.00	-27.00	-27.05
Fiscal Figures (% of GDP)				
- Primary Balance	3.00	3.00	3.00	2.95
- Nominal Balance	-3.65	-3.95	-3.30	-3.50
Exchange Rate				
End of period (R\$/US\$)	2.12	2.15	2.20	2.25
Over-Selic				
End of period (% p.y.)	15.00	16.00	13.38	14.12

### Table 2 Market Readout

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

	May		June	
	As of May 11	As of today	As of May 11	As of today
(% change)				
IGP-DI	0.43	0.48	0.48	0.48
IGP-M	0.51	0.60	0.50	0.48
IPC-Fipe	0.40	0.40	0.31	0.70
INPC	0.40	0.41	0.41	0.40
IPCA	0.38	0.41	0.43	0.47

	2001		2002	
	As of May 11	As of today	As of May 11	As of today
IGP-DI	5.55	5.69	4.00	4.00
IGP-M	6.30	6.30	4.00	4.29
IPC-Fipe	4.37	5.20	3.35	3.35
INPC	4.80	4.80	3.50	3.50
IPCA	4.64	5.01	3.50	3.50
GDP	4.00	3.80	4.40	4.50

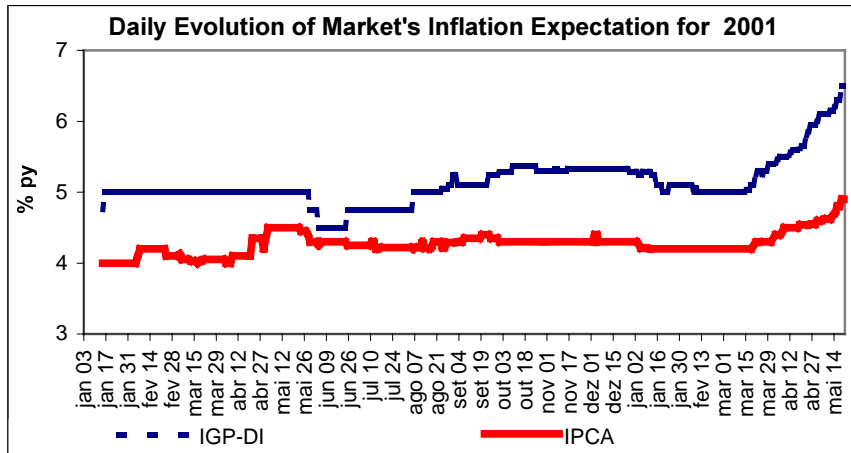
### Explanatory Note

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  $\pi$  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**

