

BANCO CENTRAL DO BRASIL – FOCUS

June 22, 2001

Median of market expectations for the GDP growth declined to 3.00% from 3.50% for year 2001 and rose to 3.60% from 3.50% for the next year, as tracked by Banco Central do Brasil daily survey. Forecasts for the consumer price index IPCA increased to 0.80% and to 5.60% from 0.75% and from 5.50% for July,2001 and for year 2001 respectively. Expectations for the IPC-Fipe increased to 0.87% and to 5.35% from 0.78% and from 5.20% for July,2001 and for year 2001 respectively. Forecasts for the IGP-DI remained unchanged at 0.64% and at 0.85% and at 7.30% for June,2001, for July,2001 and for year 2001 respectively. Median of market expectations for the trade balance declined to a deficit of US\$1.40 billion from a deficit of US\$1.50 billion for 2001. Expectations for the current account deficit remained stable at US\$27.34 billion for year 2001. Median of market expectations for the Over-Selic declined to 16.00% p.a. and to 14.00% p.a. from 16.25% p.a. and from 14.40% p.a. for 2001 and for 2002 respectively. Forecasts for the exchange rate increased to R\$/US\$2.25 and to R\$/US\$2.32 from R\$/US\$2.20 and from R\$/US\$2.30 for 2001 and for year 2002 respectively. On the fiscal side, market participants continue expecting a primary surplus of 3.00% 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)	June		July	
	As of June 13	As of today	As of June 13	As of today
IGP-DI	0.64	0.64	0.85	0.85
IGP-M	0.56	0.60	0.80	0.85
IPC-Fipe	0.68	0.75	0.78	0.87
INPC	0.53	0.58	0.75	0.80
IPCA	0.55	0.60	0.75	0.80
	2001		2002	
IGP-DI	7.30	7.30	4.07	4.48
IGP-M	7.00	7.08	4.40	4.48
IPC-Fipe	5.20	5.35	3.69	3.69
INPC	5.78	6.00	3.75	3.78
IPCA	5.50	5.60	3.82	4.00

OTHER ECONOMIC INDICATORS

	2001		2002	
	As of June 13	As of today	As of June 13	As of today
GDP growth (%)	3.50	3.00	3.50	3.60
Trade Balance (US\$ billion)	-1.50	-1.40	0.00	0.00
Current Account (US\$ billion)	-27.34	-27.34	-27.10	-27.00
Fiscal Figures (% of GDP)				
- Primary Balance	3.00	3.00	2.95	3.00
- Nominal Balance	-4.30	-4.50	-3.55	-3.80
Exchange Rate				
End of period (R\$/US\$)	2.20	2.25	2.30	2.32
Over-Selic				
End of period (% p.y.)	16.25	16.00	14.40	14.00

Table 2 Market Readout

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

	June		July	
	As of June 13	As of today	As of June 13	As of today
(% change)				
IGP-DI	0.41	0.60	0.85	0.90
IGP-M	0.41	0.70	0.96	0.80
IPC-Fipe	0.80	0.80	0.90	1.00
INPC	0.70	0.60	0.95	0.65
IPCA	0.60	0.65	0.87	0.72

	2001		2002	
	As of June 13	As of today	As of June 13	As of today
IGP-DI	7.17	7.30	5.50	4.24
IGP-M	7.81	7.00	4.50	-
IPC-Fipe	5.30	5.30	3.50	4.19
INPC	6.00	6.10	3.70	3.88
IPCA	5.74	5.50	3.66	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

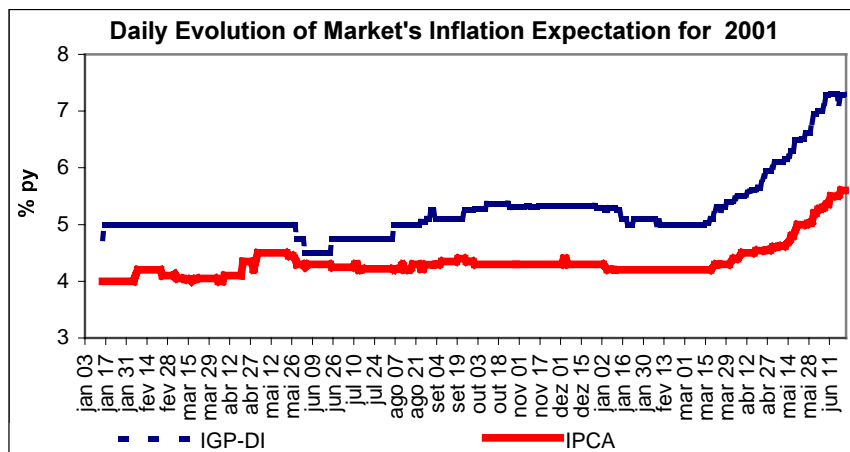
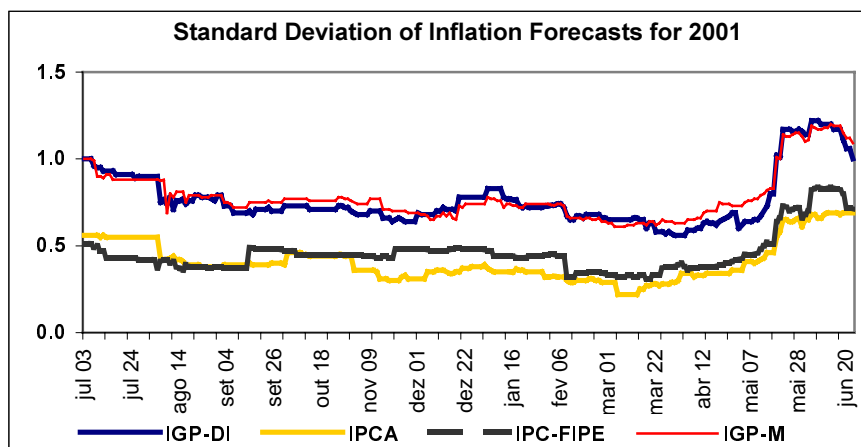


Figure 2
Dispersion of Inflation Forecasts for 2001



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