

# BANCO CENTRAL DO BRASIL – FOCUS

July 20, 2001

*Median of market expectations for the GDP growth fell to 2.7% from 2.8% for the year 2001 and to 3.30% from 3.50% for 2002, as tracked by Banco Central do Brasil daily survey.* Forecasts for the consumer price index IPCA remained unchanged at 6% for 2001 and 4% for 2002, both within the  $\pm 2\%$  tolerance interval for the year's inflation target. Forecasts for the IPC-Fipe rose to 5.9% from 5.8% and were kept at 4.0% for 2002. Projections for the IGP-DI increased to 8.0% from 7.7% for 2001 and to 5.4% from 4.78% for 2002.

The median of market expectations for the trade balance improved to a deficit of US\$1.05 billion from a deficit of US\$1.14 billion for 2001, with the trade balance surplus for the year 2002 being revised to US\$0.20 billion from US\$0.15 billion. Expectations for the current account deficit remained stable at US\$27 billion for the year 2001 and increased to US\$ 26.90 billion from US\$ 26.80 billion for 2002. Median of market expectations for the Over-Selic rose to 17.75% p.a. from 17.5% p.a. for 2001 and to 15.06% p.a. from 15.00% p.a. for 2002. Forecasts for the exchange rate rose to R\$/US\$2.35 from R\$/US\$2.30 for the year 2001 and remained at R\$/US\$2.45 for the year 2002. On the fiscal front, market participants still expect a primary surplus of 3.00% of GDP for 2001 and 2002. Expectations for other economic indicators, along with median forecasts 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*

## PRICE INDICES

(% change)	July		August	
	As of July 13	As of today	As of July 13	As of today
IGP-DI	0.95	1.10	0.70	0.71
IGP-M	1.00	1.20	0.75	0.75
IPC-Fipe	0.86	0.87	0.80	0.90
INPC	0.88	0.90	0.60	0.65
IPCA	1.00	1.00	0.60	0.60
	<b>2001</b>		<b>2002</b>	
IGP-DI	7.70	8.00	4.78	5.40
IGP-M	7.80	8.00	4.73	5.00
IPC-Fipe	5.80	5.90	4.00	4.00
INPC	6.23	6.50	4.00	4.01
IPCA	6.00	6.00	4.00	4.00

## OTHER ECONOMIC INDICATORS

	2001		2002	
	As of July 13	As of today	As of July 13	As of today
GDP growth (%)	2.80	2.70	3.50	3.30
Trade Balance (US\$ billion)	-1.14	-1.05	0.15	0.20
Current Account (US\$ billion)	-27.00	-27.00	-26.80	-26.90
Fiscal Figures (% of GDP)				
- Primary Balance	3.00	3.00	3.00	3.00
- Nominal Balance	-5.10	-5.50	-4.00	-4.10
Exchange Rate				
End of period (R\$/US\$)	2.30	2.35	2.45	2.45
Over-Selic				
End of period (% p.a.)	17.50	17.75	15.00	15.06

### Table 2 Market Readout

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

	July		August	
	As of July 13	As of today	As of July 13	As of today
(% change)				
IGP-DI	1.20	1.20	0.70	0.70
IGP-M	0.95	1.35	0.75	0.80
IPC-Fipe	0.80	1.00	1.03	1.05
INPC	0.95	0.95	0.64	0.60
IPCA	1.00	1.04	0.60	0.68

	2001		2002	
	As of July 13	As of today	As of July 13	As of today
IGP-DI	8.20	8.50	4.70	4.70
IGP-M	7.92	8.30	5.50	5.50
IPC-Fipe	5.60	5.80	4.63	4.50
INPC	6.80	6.51	4.00	4.00
IPCA	6.00	6.14	4.00	4.00

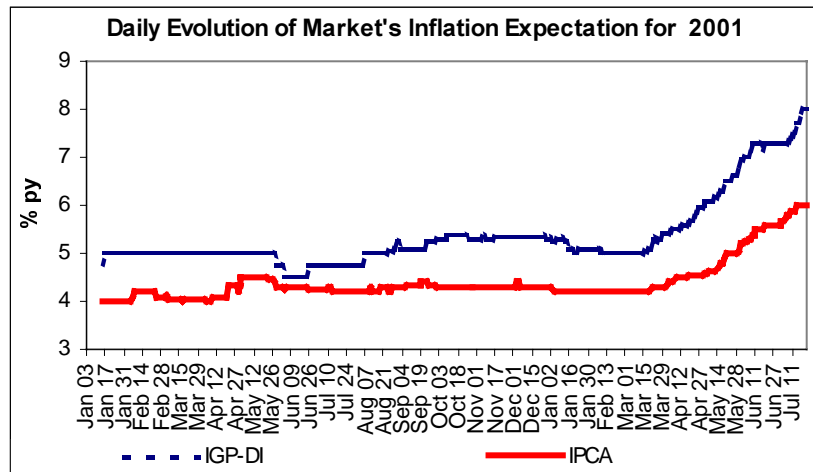
### Explanatory Note

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.

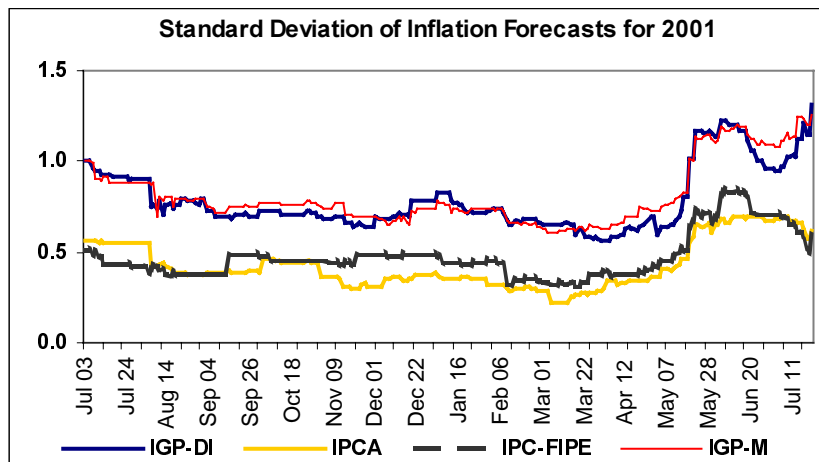
$$monthlypenalty = \frac{(100 \cdot (E[\pi_t | t-2] - \pi_t))^2 + (100 \cdot (E[\pi_t | t-1] - \pi_t))^2}{1000}$$

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)*