

October 5, 2001

The median of market expectations for the trade balance surplus increased to US\$0.87 billion from a trade balance equilibrium of US\$0.00 billion for 2001, while for the next year, the trade balance surplus increased to US\$2.80 billion from US\$2.10 billion, as tracked by Banco Central do Brasil daily survey. Expectations for the current account deficit declined to US\$25.50 billion from US\$26.00 billion for the year 2001 and to US\$23.00 billion from US\$24.88 billion for the year 2002.

Expectations for the GDP growth remained unchanged at 1.60% for the year 2001 and decreased to 2.46% from 2.50% for 2002. Expectations for the Consumer Price Index – IPCA remained constant at 6.60% for the year 2001 and augmented to 4.89% from 4.80% for 2002. Forecasts for the IPC-Fipe remained stable at 6.50% for the year 2001 and rose to 4.57% from 4.50% for the year 2002. Projections for the IGP-DI declined to 9.33% from 9.35% for the year 2001 and reached 6.00% from 5.80% for the next year.

The median of market expectations for the Over-Selic remained constant at 19.00% p.a. and at 16.50% p.a. for the year 2001 and for 2002 respectively. Forecasts for the exchange rate rose to R\$/US\$2.75 from R\$/US\$2.70 for 2001 and remained unchanged at R\$/US\$2.80 for the year 2002. On the fiscal front, the median of expectations for the primary surplus increased to 3.40% of the GDP from 3.35% of the GDP for the year 2001 and remained stable at 3.50% of the GDP for the next year. 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) | September | | October | |
|------------|--------------------|-------------|--------------------|-------------|
| | As of September 28 | As of today | As of September 28 | As of today |
| IGP-DI | 0.44 | 0.40 | 0.48 | 0.50 |
| IGP-M | - | - | 0.50 | 0.50 |
| IPC-Fipe | 0.40 | - | 0.40 | 0.39 |
| INPC | 0.40 | 0.40 | 0.40 | 0.40 |
| IPCA | 0.40 | 0.35 | 0.40 | 0.40 |
| | 2001 | | 2002 | |
| IGP-DI | 9.35 | 9.33 | 5.80 | 6.00 |
| IGP-M | 9.30 | 9.30 | 6.00 | 6.14 |
| IPC-Fipe | 6.50 | 6.50 | 4.50 | 4.57 |
| INPC | 7.33 | 7.40 | 4.52 | 5.00 |
| IPCA | 6.60 | 6.60 | 4.80 | 4.89 |

OTHER ECONOMIC INDICATORS

| | 2001 | | 2002 | |
|--|--------------------|-------------|--------------------|-------------|
| | As of September 28 | As of today | As of September 28 | As of today |
| GDP growth (%) | 1.60 | 1.60 | 2.50 | 2.46 |
| Trade Balance (US\$ billion) | 0.00 | 0.87 | 2.10 | 2.80 |
| Current Account (US\$ billion) | -26.00 | -25.50 | -24.88 | -23.00 |
| Fiscal Figures (% of GDP) | | | | |
| - Primary Balance | 3.35 | 3.40 | 3.50 | 3.50 |
| - Nominal Balance (including exchange rate effect on debt) | -7.46 | -7.50 | -4.80 | -4.71 |
| Exchange Rate End of period (R\$/US\$) | 2.70 | 2.75 | 2.80 | 2.80 |
| Over-Selic End of period (% p.a.) | 19.00 | 19.00 | 16.50 | 16.50 |

Table 2

Market Readout

*Banco Central do Brasil Daily Survey on Market Expectations - Median
Top 5 – Short Run Forecasters*

| (% change) | September | | October | |
|------------|--------------------|-------------|--------------------|-------------|
| | As of September 28 | As of today | As of September 28 | As of today |
| IGP-DI | 0.40 | 0.30 | 0.60 | 0.50 |
| IGP-M | - | - | 0.53 | 0.45 |
| IPC-Fipe | 0.37 | - | 0.28 | 0.30 |
| IPCA | 0.36 | 0.26 | 0.44 | 0.42 |
| | 2001 | | 2002 | |
| IGP-DI | 9.40 | 9.30 | 6.80 | 6.80 |
| IGP-M | 9.30 | 9.10 | 5.70 | 6.25 |
| IPC-Fipe | 6.30 | 6.30 | 4.77 | 4.77 |
| IPCA | 6.80 | 6.70 | 5.20 | 5.60 |

Table 3

Market Readout

*Banco Central do Brasil Daily Survey on Market Expectations - Median
Top 5 – Medium Run Model Forecasters*

| (% change) | September | | October | |
|------------|--------------------|-------------|--------------------|-------------|
| | As of September 28 | As of today | As of September 28 | As of today |
| IGP-DI | 0.45 | 0.45 | 0.45 | 0.43 |
| IGP-M | - | - | 0.51 | 0.48 |
| IPC-Fipe | 0.33 | - | 0.28 | 0.30 |
| IPCA | 0.40 | 0.30 | 0.40 | 0.39 |
| | 2001 | | 2002 | |
| IGP-DI | 9.33 | 9.33 | 6.53 | 6.50 |
| IGP-M | 9.50 | 9.22 | 7.00 | 6.49 |
| IPC-Fipe | 6.50 | 6.35 | 4.54 | 4.54 |
| IPCA | 6.69 | 6.69 | 5.01 | 5.48 |

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

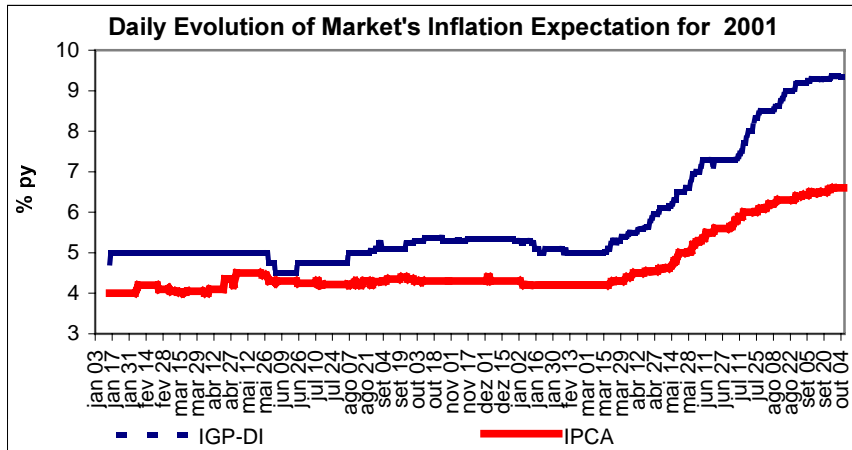


Figure 2
Dispersion of Inflation Forecasts for 2001
Banco Central do Brasil Daily Survey on Market Expectations

