November 30th, 2001

Banco Central do Brasil announces modifications in the methodology for computing Top 5-Short Run Forecasters, as well as the methodology for computing Top 5 forecasters for the 2001 inflation rates, and the inclusion of the ranking of each institution participating in the expectations' survey on the website. Please see the details below followed by the consolidated results of the survey on November 30th.

The methodology for computing Top 5 - Short Run forecasters will be altered for the inflation indices referenced on the months beginning on December 2001. The ranking will be based on the accuracy of the projections informed on the day immediately preceding the respective "critical day" instead of the two days immediately prior to the day the inflation index is released. The equation for computing institutions' deviations from the actual inflation rates will thus be:

$$\psi^R = \sum_{t=1}^{4} \left| E_{-1}\pi_t - \pi_t \right|$$

in which

ψ^R = penalty attributed to each institution as to the precision of its forecasts in the month of the calculation of the Top 5, which equals t=4

t = month for which the deviation is calculated

$E_{-1}\pi_t$ = institution's forecast informed one day before the "critical day" (see below)

π_t = actual variation of the inflation index in the month t

$\left| E_{-1}\pi_t - \pi_t \right|$ = absolute value of the deviation of the forecast from the actual inflation rate in month t

For the IGP-M, the "critical day" refers to the day of the release of the 1st ten-day preview of the IGP-M. For the IGP-DI, it refers to the day of the release of the 2nd ten-day preview of the IGP-M. Finally, for the case of the IPCA, it refers to the day of the release of the IPCA-15.

In addition to the revision in the methodology for computing Top 5-Short Run Forecasters, the Central Bank also announces that after December 5th, the ranking of the institutions participating in

the expectations' survey will be available for consultation of their authorized staff on the survey's website. The institution will only access its own rank.

On January 2002, the Central Bank of Brasil will be releasing the Top 5 Forecasters for the 2001 annual inflation indices. The equation for calculating each institution's deviation from the actual inflation rate in the year is as follows:

$$\psi^R = \sum_{t=1}^{12} \frac{(12-t+1)\left|E_t\pi^R - \pi^R\right|}{\displaystyle\sum_{n=1}^{12} n}$$

in which,

ψ^R = penalty attributed to each institution as to the precision of its forecasts in the year

t = 1 for the projections informed in January, 2 for February, and so on until 12 for the projections informed in December, one day before the respective "critical days"

$E_t\pi^R$ = institution's forecast informed one day before the "critical day" of the tth month

π^R = actual inflation rate in the year

$\left|E_t\pi^R - \pi^R\right|$ = absolute value of the deviation of forecasts from the actual inflation rate in the year

On November 30th, the median market expectation for the trade balance surplus improved to US\$1.6 billion for 2001 from US\$ 1.5 billion on the previous week and to US\$4.75 billion from US\$4.6 billion for 2002, as tracked by Banco Central do Brasil daily survey. Forecasts for the current account deficit dropped to US\$ 24 billion from US\$24.2 billion for the year 2001 and to US\$ 20.4 billion from US\$20.5 billion for the year 2002.

The median of market expectations for the Consumer Price Index - IPCA for 2001 increased to 7.29% from 7.18% and dropped to 5.09% from 5.10% for 2002. Expectations for the IGP-M rose to 10.68% from 10.57% for the year 2001 and remained at 7% for next year. Forecasts for the IPC-Fipe augmented to 7.17% from 7.10% for the year 2001 and remained at 5.2% for the year 2002. Projections for the GDP growth remained constant at 1.7% for the year 2001 and 2% for 2002.

The median of market expectations for the Over-Selic rate remained stable at 19% p.a. and at 17% p.a. for the year 2001 and 2002, respectively. Forecasts for the exchange rate were altered to R$/US$2.60 from R$/US$2.66 for 2001 and remained at R$/US$2.75 for the year 2002. On the fiscal front, the median of market expectations for the primary surplus remained unchanged at 3.40% of the GDP for the year 2001 and at 3.50% of the GDP for the year 2002. Expectations for other economic indicators, along with median projections 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)	November		December	
	As of November 23	As of today	As of November 23	As of today
IGP-DI	0.80	0.80	0.50	0.50
IGP-M	1.03	1.10	0.50	0.50
INPC	0.66	0.75	0.35	0.33
IPCA	0.60	0.70	0.31	0.32
IPC-FIPE	0.59	0.60	0.30	0.30
	2001		2002	
IGP-DI	10.69	10.80	7.05	7.00
IGP-M	10.57	10.68	7.00	7.00
INPC	8.36	8.38	5.30	5.31
IPCA	7.18	7.29	5.10	5.09
IPC-FIPE	7.10	7.17	5.20	5.20

OTHER ECONOMIC INDICATORS

	2001		2002	
	As of November 23	As of today	As of November 23	As of today
GDP growth (%)	1.70	1.70	2.00	2.00
Trade Balance (US$ billion)	1.50	1.60	4.60	4.75
Current Account (US$ billion)	-24.20	-24.00	-20.50	-20.40
FDI (US$ billion)	18.62	19.00	15.00	15.00
Fiscal Figures (% of GDP)				
Primary Balance	3.40	3.40	3.50	3.50
Nominal Balance (harmonized)	-3.20	-3.20	-3.50	-3.47
Exchange Rate End of period (R$/US$)	2.66	2.60	2.75	2.75
Over-Selic End of period (% p.a.)	19.00	19.00	17.00	17.00

Table 2
Market Readout
Banco Central do Brasil Daily Survey on Market Expectations - Median
Top 5 – Short Run Forecasters

|	November		December	
(% change)	As of November 23	As of today	As of November 23	As of today
IGP-DI	0.73	0.75	0.47	0.40
IGP-M	1.10	1.10	0.50	0.50
IPC-FIPE	0.51	0.55	0.31	0.33
IPCA	0.55	0.70	0.37	0.40
	2001		2002	
IGP-DI	10.69	10.63	6.60	6.60
IGP-M	10.68	10.68	7.50	7.50
IPC-FIPE	7.02	7.11	4.75	5.19
IPCA	7.34	7.45	5.50	5.50

Table 3
Market Readout
Banco Central do Brasil Daily Survey on Market Expectations - Median
Top 5 – Medium Run Model Forecasters

(% change)	November		December	
	As of November 23	As of today	As of November 23	As of today
IGP-DI	0.75	0.75	0.47	0.45
IGP-M	1.10	1.10	0.50	0.50
IPC-FIPE	0.58	0.60	0.31	0.31
IPCA	0.65	0.70	0.30	0.35
	2001		2002	
IGP-DI	10.69	10.69	7.10	6.90
IGP-M	10.63	10.63	7.30	7.30
IPC-FIPE	7.14	7.17	5.52	5.52
IPCA	7.24	7.29	5.59	5.59

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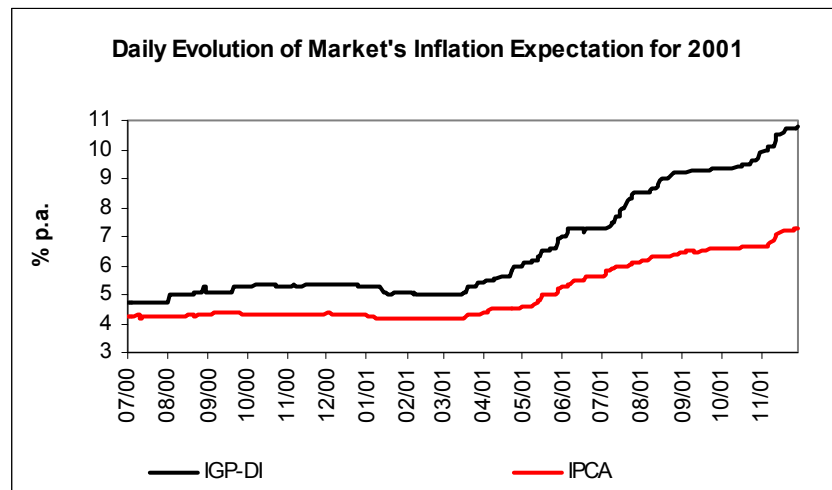
Graph 2
Dispersion of Inflation Forecasts for 2001
Banco Central do Brasil Daily Survey on Market Expectations

Standard Deviation of Inflation Forecasts for 2001

IGP-DI   IGP-M   IPCA   IPC-FIPE