

BANCO CENTRAL DO BRASIL – FOCUS

September 15, 2000

Median of market expectations for inflation in 2000 declined for all indices, except for INPC, during the week, as tracked by Banco Central do Brasil daily survey. Expectations for IPC-Fipe decreased to 5.65% from 5.70% for this year and to 0.44% from 0.50% for the month of October. Median expectations measured by IPCA was reduced to 6.30% from 6.31%, while for the INPC increased to 5.90% from 5.85%, in 2000. Forecasts for the IGP-M declined to 9.27% from 9.30% and the expectations for the IGP-DI diminished to 9.32% from 9.33% for this year. Median of market expectations for GDP remained stable at 3.80% for 2000 and increased to 4.20% from 4.10% for 2001. Forecasts for the trade surplus declined to US\$1.15 billion from US\$1.40 billion for 2000. Forecasts 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)	September		October	
	as of September 8	as of today	as of September 8	as of today
IGP-DI	0.50	0.50	0.50	0.50
IGP-M	0.68	0.64	0.45	0.45
IPC-Fipe	0.45	0.42	0.50	0.44
INPC	0.55	0.55	0.54	0.51
IPCA	0.50	0.43	0.41	0.40

	2000		2001	
IGP-DI	9.33	9.32	5.10	5.10
IGP-M	9.30	9.27	5.00	5.00
IPC-Fipe	5.70	5.65	4.00	4.00
INPC	5.85	5.90	4.00	4.10
IPCA	6.31	6.30	4.35	4.35

OTHER ECONOMIC INDICATORS

	2000		2001	
	as of September 8	as of today	as of September 1	as of today
GDP growth (%)	3.80	3.80	4.10	4.20
Trade Balance (US\$ billion)	1.40	1.15	2.90	2.90
Current Account (US\$ billion)	-24.60	-24.60	-24.00	-24.10
Fiscal Figures (% of GDP)				
- Primary Balance	3.25	3.25	3.00	3.00
- Nominal Balance	-3.80	-3.78	-2.95	-2.90

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.

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

where π denotes inflation in percentage points

Table 2

Market Readout

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

(% change)	September		October	
	as of September 8	as of today	as of September 8	as of today
IGP-DI	0.50	0.40	0.50	0.42
IGP-M	0.65	0.60	0.45	0.45
IPC-Fipe	0.40	0.35	0.42	0.30
INPC	0.50	0.50	0.55	0.55
IPCA	0.45	0.40	0.40	0.45

	2000		2001	
IGP-DI	9.40	9.10	4.50	5.50
IGP-M	9.40	9.10	5.00	5.00
IPC-Fipe	5.62	5.60	4.00	4.25
INPC	5.90	5.90	4.00	4.00
IPCA	6.50	6.20	4.00	4.00
GDP	3.80	3.80	4.05	4.15

Figure 1
Central Bank Daily Survey on Market Expectations
Evolution of Median Expectations for Inflation

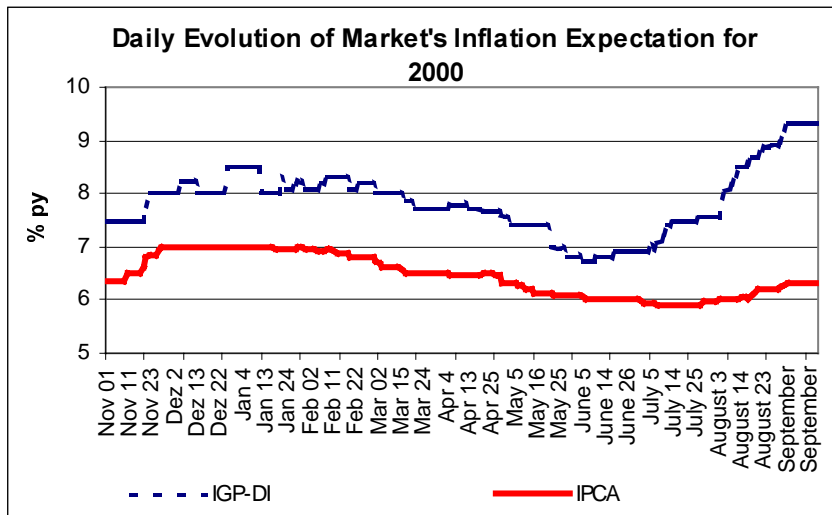
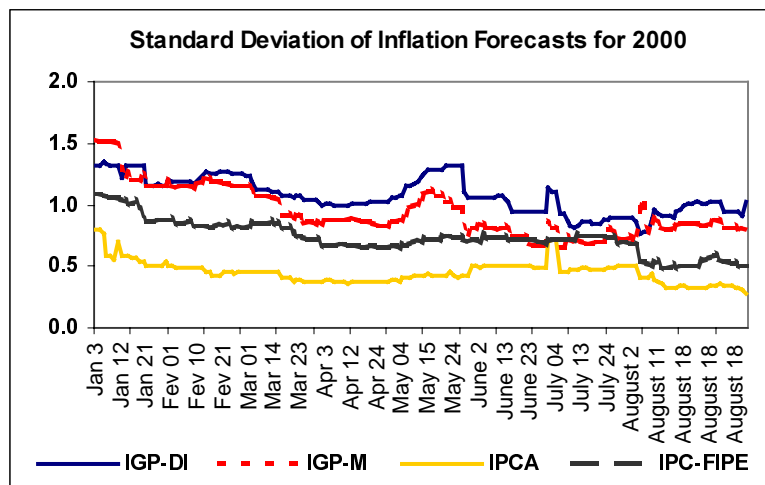


Figure 2
Dispersion of Inflation Forecasts for 2000



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