

BANCO CENTRAL DO BRASIL – FOCUS

September 22, 2000

Median of market expectations for the IGP-DI and IGP-M increased to 9.40% from 9.32% and to 9.40% from 9.27% respectively, during the week, as tracked by Banco Central do Brasil daily survey. Expectations for the IPCA remained stable at 6.30% for 2000 and increased to 4.40% from 4.35% for 2001, while expectations for the INPC declined to 5.80% from 5.90% for 2000. Median of market expectations for GDP remained stable at 3.80%. Forecasts for the trade surplus declined to US\$1.05 billion from US\$1.15 billion for 2000 and to US\$2.60 from US\$2.90 for 2001. Median of market expectations for the current account deficit decreased to US\$24.80 from US\$24.60 for 2000 and to US\$24.40 from US\$24.10 for 2001. 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 15	as of today	as of September 15	as of today
IGP-DI	0.50	0.50	0.50	0.50
IGP-M	0.64	0.80	0.45	0.47
IPC-Fipe	0.42	0.35	0.44	0.41
INPC	0.55	0.50	0.51	0.51
IPCA	0.43	0.40	0.40	0.40

	2000		2001	
IGP-DI	9.32	9.40	5.10	5.25
IGP-M	9.27	9.40	5.00	5.00
IPC-Fipe	5.65	5.65	4.00	4.00
INPC	5.90	5.80	4.10	4.20
IPCA	6.30	6.30	4.35	4.40

OTHER ECONOMIC INDICATORS

	2000		2001	
	as of September 15	as of today	as of September 1	as of today
GDP growth (%)	3.80	3.80	4.20	4.20
Trade Balance (US\$ billion)	1.15	1.05	2.90	2.60
Current Account (US\$ billion)	-24.60	-24.80	-24.10	-24.40
Fiscal Figures (% of GDP)				
- Primary Balance	3.25	3.25	3.00	3.00
- Nominal Balance	-3.78	-3.80	-2.90	-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 15	as of today	as of September 15	as of today
IGP-DI	0.40	0.45	0.42	0.42
IGP-M	0.60	0.79	0.45	0.32
IPC-Fipe	0.35	0.29	0.30	0.35
INPC	0.50	0.50	0.55	0.55
IPCA	0.40	0.40	0.45	0.45

	2000		2001	
IGP-DI	9.10	9.40	5.50	5.50
IGP-M	9.10	9.17	5.00	5.00
IPC-Fipe	5.60	5.60	4.25	4.25
INPC	5.90	5.80	4.00	4.00
IPCA	6.20	6.40	4.00	4.00
GDP	3.80	3.80	4.15	4.15

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

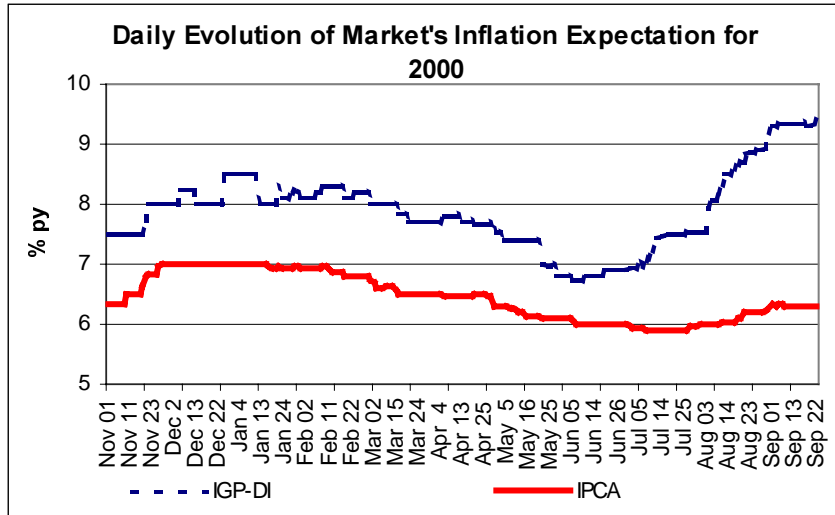


Figure 2
Dispersion of Inflation Forecasts for 2000

