

BANCO CENTRAL DO BRASIL – FOCUS

December 15, 2000

Median of market expectations for the trade balance deficit declined during the week to US\$0.44 billion from US\$0.20 billion for 2000 and to a surplus of US\$1.20 billion from US\$1.80 billion for 2001, as tracked by Banco Central do Brasil daily survey. Expectations for the consumer price index IPC-Fipe and for the INPC decreased to 4.69% from 4.84% and to 5.40% from 5.50%, respectively, for the year 2000; also declined to 4.00% from 4.02% and to 4.33% from 4.40% for 2001. Forecasts for the IPCA decreased to 6.09% from 6.17% for 2000. Expectations for the IGP-DI increased to 9.69% from 9.66% for 2000. Forecasts for the current account deficit remained stable at US\$25.10 billion for the year 2000 and declined to US\$25.20 billion from US\$25.00 billion for 2001. Median expectations for the GDP growth declined to 4.00% from 4.10% 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)	December		January	
	as of December 08	As of today	as of December 08	As of today
IGP-DI	0.60	0.60	0.50	0.50
IGP-M	0.65	0.65	0.66	0.69
IPC-Fipe	0.50	0.45	0.40	0.40
INPC	0.60	0.60	0.38	0.30
IPCA	0.60	0.60	0.46	0.40

	2000		2001	
IGP-DI	9.66	9.69	5.33	5.33
IGP-M	10.00	10.00	5.30	5.28
IPC-Fipe	4.84	4.69	4.02	4.00
INPC	5.50	5.40	4.40	4.33
IPCA	6.17	6.09	4.30	4.30

OTHER ECONOMIC INDICATORS

	2000		2001	
	as of December 08	As of today	as of December 08	As of today
GDP growth (%)	3.90	3.90	4.10	4.00
Trade Balance (US\$ billion)	-0.20	-0.44	1.80	1.20
Current Account (US\$ billion)	-25.10	-25.10	-25.00	-25.20
Fiscal Figures (% of GDP)				
- Primary Balance	3.30	3.30	3.00	3.00
- Nominal Balance	-3.90	-3.90	-3.00	-3.10

Table 2**Market Readout**

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

	December		January		
	(% change)	as of December 08	As of today	as of December 08	As of today
IGP-DI		0.90	0.70	0.30	0.30
IGP-M		0.80	0.84	0.67	-
IPC-Fipe		0.50	0.50	-	0.41
INPC		0.60	0.55	0.30	0.30
IPCA		0.68	0.65	-	-

	2000		2001	
	IGP-DI	10.00	9.74	5.75
IGP-M	10.10	10.20	6.02	5.40
IPC-Fipe	4.70	4.60	4.50	4.50
INPC	5.50	5.40	4.25	4.03
IPCA	6.09	6.08	4.36	4.31
GDP	3.90	3.90	4.10	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 π denotes inflation in percentage points.

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

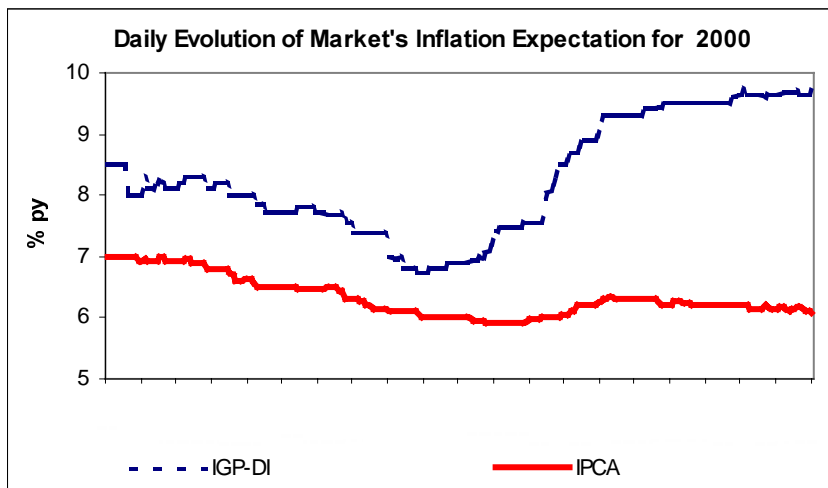
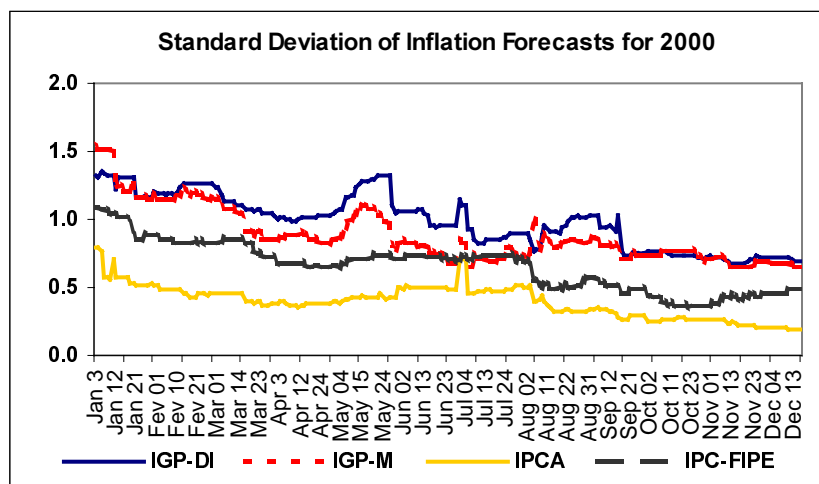


Figure 2
Dispersion of Inflation Forecasts for 2000



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