

BANCO CENTRAL DO BRASIL – FOCUS

January 05, 2001

Median of market expectations for the consumer price index – IPCA decreased to 4.21% from 4.30% for 2001 and remained stable at 6.02% for 2000 during the week, as tracked Banco Central do Brasil daily survey. Forecasts for the IGP-M declined to 0.53% from 0.66% for January 2001. Median of market expectations for the IGP-DI increased to 0.55% from 0.50% for December 2000, while for January 2001 reduced to 0.48% from 0.50%. Expectations for the trade balance declined to US\$0.60 billion from US\$0.90 billion for 2001. Forecasts for the current account deficit increased to US\$25.70 billion from US\$25.64 billion for the year 2001. Median of market expectations for the nominal deficit of the consolidated public sector improved to 3.10% of GDP from 3.15% of GDP 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 29	As of today	as of December 29	As of today
IGP-DI	0.50	0.55	0.50	0.48
IGP-M	-	-	0.66	0.53
IPC-Fipe	0.40	0.38	0.40	0.40
INPC	0.58	0.58	0.35	0.33
IPCA	0.60	0.60	0.40	0.40

	2000		2001	
IGP-DI	9.60	9.60	5.29	5.29
IGP-M	-	-	5.00	5.00
IPC-Fipe	4.60	4.60	4.00	4.00
INPC	5.34	5.31	4.13	4.13
IPCA	6.02	6.02	4.30	4.21

OTHER ECONOMIC INDICATORS

	2001		2002	
	as of December 29	As of today	as of December 29	As of today
GDP growth (%)	4.00	4.00	4.50	4.50
Trade Balance (US\$ billion)	0.90	0.60	2.90	2.00
Current Account (US\$ billion)	-25.64	-25.70	-24.00	-24.80
Fiscal Figures (% of GDP)				
- Primary Balance	3.00	3.00	2.70	2.70
- Nominal Balance	-3.15	-3.10	-2.90	-2.90

Table 2**Market Readout**

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

	December		January		
	(% change)	as of December 29	As of today	as of December 29	As of today
IGP-DI		0.60	0.60	0.50	0.60
IGP-M		-	-	0.45	0.45
IPC-Fipe		0.40	0.35	0.40	0.40
INPC		0.55	0.55	0.40	0.40
IPCA		0.60	0.55	0.57	0.52

	2000		2001	
	IGP-DI	9.62	9.75	5.00
IGP-M	-	-	5.25	5.25
IPC-Fipe	4.50	4.50	4.50	4.20
INPC	5.30	5.30	4.03	4.03
IPCA	5.98	5.98	4.00	4.20
GDP	3.90	3.90	4.00	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

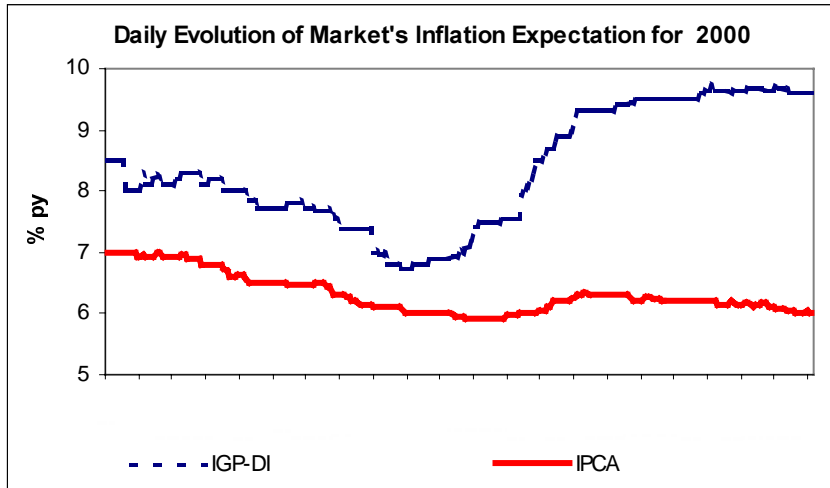
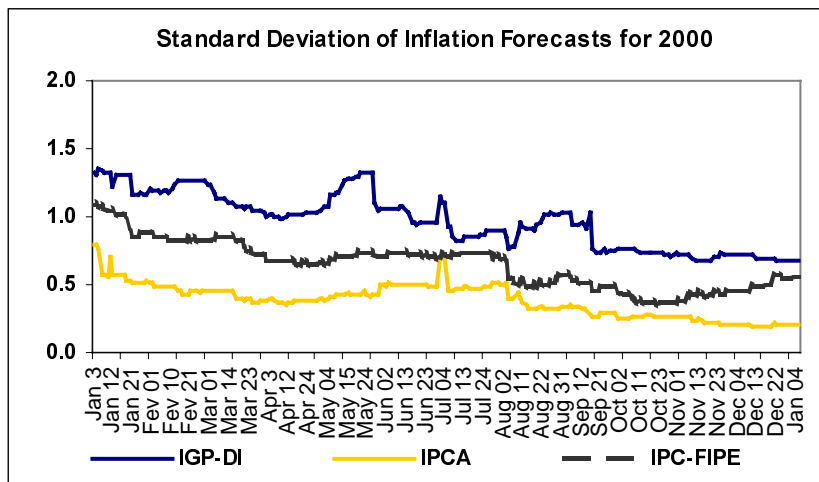


Figure 2
Dispersion of Inflation Forecasts for 2000



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