

BANCO CENTRAL DO BRASIL – FOCUS

January 12, 2001

Median of market expectations for the consumer price index – IPCA declined to 4.20% from 4.21% for 2001 and increased to 0.45% from 0.40% for the month of January, as tracked Banco Central do Brasil daily survey. Forecasts for the IGP-DI decreased to 5.25% from 5.29% for 2001 and increased to 0.55% from 0.48% for January 2001. Median of market expectations for the IGP-M increased to 0.60% from 0.53% for January 2001. Expectations for the INPC increased to 4.20% from 4.13% for 2001 and to 3.45% from 3.40% for 2002. Expectations for the trade balance declined to US\$0.55 billion from US\$0.60 billion for 2001 and to US\$1.50 billion from US\$2.00 billion for 2002. Forecasts for the current account deficit increased to US\$26.02 billion from US\$25.70 billion for the year 2001 and to US\$25.10 billion from US\$24.80 billion for 2002. Median of market expectations for the nominal deficit of the consolidated public sector increased to 3.20% of GDP from 3.10% of GDP for 2001 and improved to 2.85% of GDP from 2.90% of GDP for 2002. Forecasts for other economic indicators, along with median expectations for the Top 5 forecasters are quoted in the tables and figures below. **The Top 5 forecasters for the IPCA 2000, according to the criterion detailed in the explanatory note and in order of accuracy are: 1) Banco BBM; 2) Banco Safra; 3) Citibank; 4) Lloyds Bank and 5) Banco Matrix.**

Table 1
Market Readout

Banco Central do Brasil Daily Survey on Market Expectations - Median of Market Expectations

PRICE INDICES

	January		February	
	as of January 05	As of today	as of January 05	As of today
(% change)				
IGP-DI	0.48	0.55	0.16	0.16
IGP-M	0.53	0.60	0.25	0.22
IPC-Fipe	0.40	0.40	0.20	0.22
INPC	0.33	0.30	0.30	0.30
IPCA	0.40	0.45	0.28	0.30
	2001		2002	
IGP-DI	5.29	5.25	4.00	4.00
IGP-M	5.00	5.00	4.00	4.00
IPC-Fipe	4.00	4.00	3.50	3.50
INPC	4.13	4.20	3.40	3.45
IPCA	4.21	4.20	3.81	3.82

OTHER ECONOMIC INDICATORS

	2001		2002	
	as of January 05	As of today	as of January 05	As of today
GDP growth (%)	4.00	4.00	4.50	4.50
Trade Balance (US\$ billion)	0.60	0.55	2.00	1.50
Current Account (US\$ billion)	-25.70	-26.02	-24.80	-25.10
Fiscal Figures (% of GDP)				
- Primary Balance	3.00	3.00	2.70	2.70
- Nominal Balance	-3.10	-3.20	-2.90	-2.85

Table 2
Market Readout

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

(% change)	January		February	
	as of January 05	As of today	as of January 05	As of today
IGP-DI	0.60	0.55	0.40	0.20
IGP-M	0.45	0.60	0.33	0.35
IPC-Fipe	0.40	0.40	0.30	0.10
INPC	0.40	0.40	0.15	0.15
IPCA	0.52	0.50	0.41	0.26

	2001		2002	
IGP-DI	5.00	5.00	4.48	4.00
IGP-M	5.25	5.45	3.90	4.00
IPC-Fipe	4.20	3.85	3.80	3.90
INPC	4.03	4.03	3.45	3.45
IPCA	4.20	4.20	4.50	4.50
GDP	4.00	4.00	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
Evolution of Median Expectations for Inflation
Banco Central do Brasil Daily Survey on Market Expectations

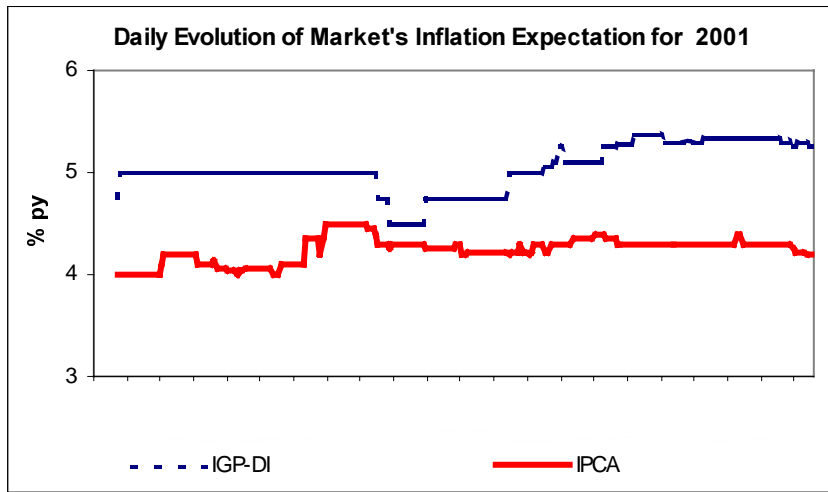
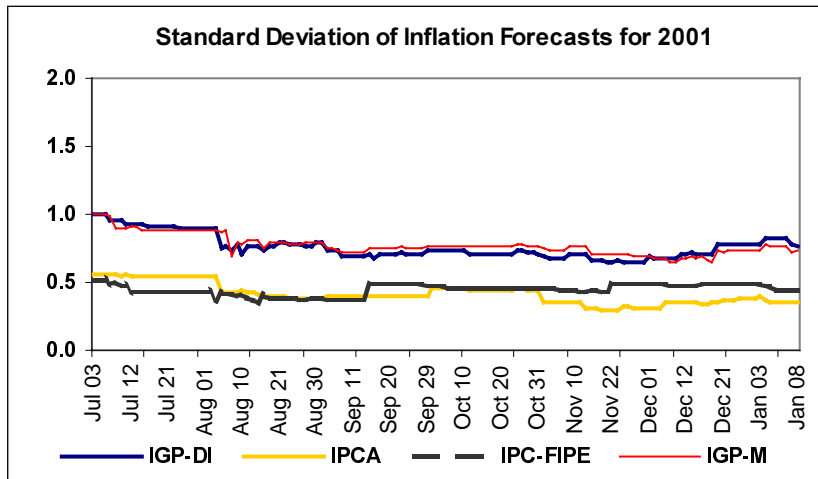


Figure 2
Dispersion of Inflation Forecasts for 2001



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