BANCO CENTRAL DO BRASIL – *FOCUS*

June 29, 2001

Median of market expectations for the GDP growth remained unchanged at 3.00% for the year 2001 and declined to 3.50% from 3.60% for 2002, as tracked by Banco Central do Brasil daily survey. Forecasts for the consumer price index IPCA decreased to 0.57% from 0.60% for June and remained stable at 5.60% for the year 2001, within the ± 2% tolerance interval for the year's inflation target. Expectations for the IPC-Fipe rose to 0.90% from 0.87% for July and to 5.40% from 5.35% for 2001. Forecasts for the IGP-DI declined to 0.80% from 0.85% for July and remained unchanged at 7.30% for 2001. Median of market expectations for the trade balance improved to a deficit of US$1.30 billion from a deficit of US$1.40 billion for 2001. Expectations for the current account deficit decreased to US$27.30 billion from US$27.34 billion for the year 2001. Median of market expectations for the Over-Selic rose to 16.45% p.a. from 16.00% p.a. for 2001 and to 14.50% p.a. from 14.00% p.a. for 2002. Forecasts for the exchange rate remained stable at R$/US$2.25 for the year 2001 and increased to R$/US$2.35 from R$/US$2.32 for the year 2002. On the fiscal front, market participants still expect a primary surplus of 3.00% of GDP for 2001. Expectations for other economic indicators, along with median forecasts 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)	June		July	
	As of June 22	As of today	As of June 22	As of today
IGP-DI	0.64	0.70	0.85	0.80
IGP-M	0.60	0.65	0.85	0.85
IPC-Fipe	0.75	0.80	0.87	0.90
INPC	0.58	0.60	0.80	0.80
IPCA	0.60	0.57	0.80	0.80
	2001		2002	
IGP-DI	7.30	7.30	4.48	4.30
IGP-M	7.08	7.10	4.48	4.40
IPC-Fipe	5.35	5.40	3.69	3.80
INPC	6.00	6.00	3.78	3.90
IPCA	5.60	5.60	4.00	4.00

OTHER ECONOMIC INDICATORS

	2001		2002	
	As of June 22	As of today	As of June 22	As of today
GDP growth (%)	3.00	3.00	3.60	3.50
Trade Balance (US$ billion)	-1.40	-1.30	0.00	0.00
Current Account (US$ billion)	-27.34	-27.30	-27.00	-27.00
Fiscal Figures (% of GDP)				
- Primary Balance	3.00	3.00	3.00	3.00
- Nominal Balance	-4.50	-4.50	-3.80	-3.80
Exchange Rate End of period (R$/US$)	2.25	2.25	2.32	2.35
Over-Selic End of period (% p.a.)	16.00	16.45	14.00	14.50

Table 2
Market Readout
Banco Central do Brasil Daily Survey on Market Expectations
Top 5 Median Expectations

	June		July	
(% change)	As of June 22	As of today	As of June 22	As of today
IGP-DI	0.60	0.90	0.90	0.80
IGP-M	0.70	0.80	0.80	0.75
IPC-Fipe	0.80	0.80	1.00	1.00
INPC	0.60	0.60	0.65	0.65
IPCA	0.65	0.65	0.72	0.76

	2001		2002	
IGP-DI	7.30	7.30	4.24	4.24
IGP-M	7.00	7.78	-	-
IPC-Fipe	5.30	5.30	4.19	4.19
INPC	6.10	6.10	3.88	3.88
IPCA	5.50	5.50	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.

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

where π denotes inflation in percentage points.

Figure 1
Evolution of Median Expectations for Inflation
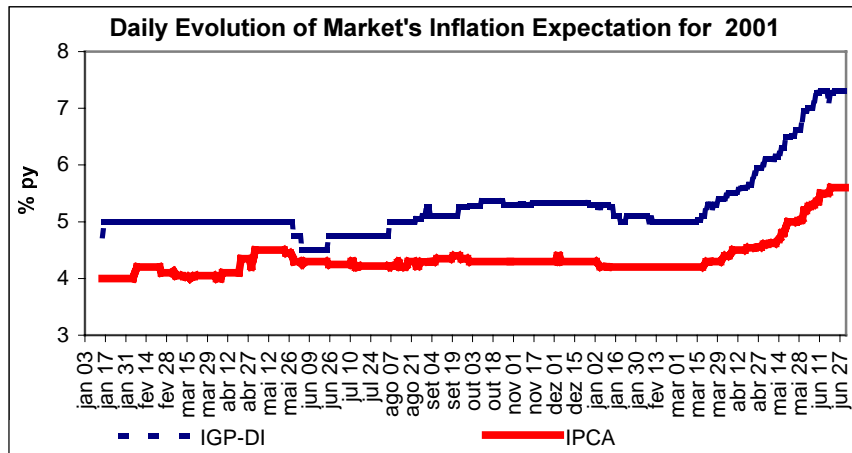*Banco Central do Brasil Daily Survey on Market Expectations*

Daily Evolution of Market's Inflation Expectation for 2001

Figure 2

Dispersion of Inflation Forecasts for 2001

Standard Deviation of Inflation Forecasts for 2001