

August 3, 2001

The median of market expectations for the Consumer Price Index - IPCA increased to 6.20% from 6.08% for 2001 and to 4.25% from 4.02% for 2002, as tracked by Banco Central do Brasil daily survey. GDP growth remained unchanged at 2.5% for the year 2001 and fell to 3.0% from 3.2% for 2002. Forecasts for the IPC-FIPE augmented to 6.0% from 5.9% for 2001 and remained at 4.0% for 2002. Projections for the IGP-DI continued at 8.5% for 2001 and at 5.5% for 2002.

The median of market expectations for the trade balance is still a deficit of US\$1.00 billion for 2001, with the trade balance surplus for the year 2002 being revised to US\$0.49 billion from US\$0.38 billion. Expectations for the current account deficit remained stable at US\$27 billion for the year 2001 and fell to US\$ 26.20 billion from US\$ 26.50 billion for 2002. Median of market expectations for the Over-Selic remained at 18% p.a. for 2001 and at 15.50% p.a. for 2002. Forecasts for the exchange rate increased to R\$/US\$2.40 from R\$/US\$ 2.35 for the year 2001 and remained at R\$/US\$2.50 for the year 2002. On the fiscal front, the median of expectations for the primary surplus augmented to 3.10% of the GDP from 3.0% for 2001 and continued at 3% of the GDP for 2002. 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

PRICE INDICES

(% change)	July		August	
	As of July 27	As of today	As of July 27	As of today
IGP-DI	1.15	1.20	0.70	0.70
IGP-M	1.25	-	0.80	0.85
IPC-Fipe	0.94	-	0.90	0.90
INPC	0.95	0.96	0.70	0.65
IPCA	1.04	1.10	0.60	0.65
	2001		2002	
IGP-DI	8.50	8.50	5.50	5.50
IGP-M	8.14	8.35	5.40	5.50
IPC-Fipe	5.90	6.00	4.00	4.00
INPC	6.70	6.90	4.26	4.50
IPCA	6.08	6.20	4.02	4.25

OTHER ECONOMIC INDICATORS

	2001		2002	
	As of July 27	As of today	As of July 27	As of today
GDP growth (%)	2.50	2.50	3.20	3.00
Trade Balance (US\$ billion)	-1.00	-1.00	0.38	0.49
Current Account (US\$ billion)	-27.00	-27.00	-26.50	-26.20
Fiscal Figures (% of GDP)				
- Primary Balance	3.00	3.10	3.00	3.00
- Nominal Balance	-5.85	-6.00	-4.15	-4.30
Exchange Rate				
End of period (R\$/US\$)	2.35	2.40	2.50	2.50
Over-Selic				
End of period (% p.a.)	18.00	18.00	15.50	15.50

Table 2 Market Readout

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

(% change)	July		August	
	As of July 27	As of today	As of July 27	As of today
IGP-DI	1.26	1.45	0.68	0.65
IGP-M	1.37	-	0.80	0.90
IPC-Fipe	1.05	-	1.08	1.01
INPC	0.95	1.00	0.51	0.65
IPCA	1.10	1.20	0.65	0.63

	2001		2002	
IGP-DI	8.50	8.40	5.45	5.45
IGP-M	8.30	8.55	5.50	5.50
IPC-Fipe	6.00	6.00	4.50	4.50
INPC	6.51	6.90	4.00	4.57
IPCA	6.14	6.30	4.00	4.50

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.

where π denotes inflation in percentage points.

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

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

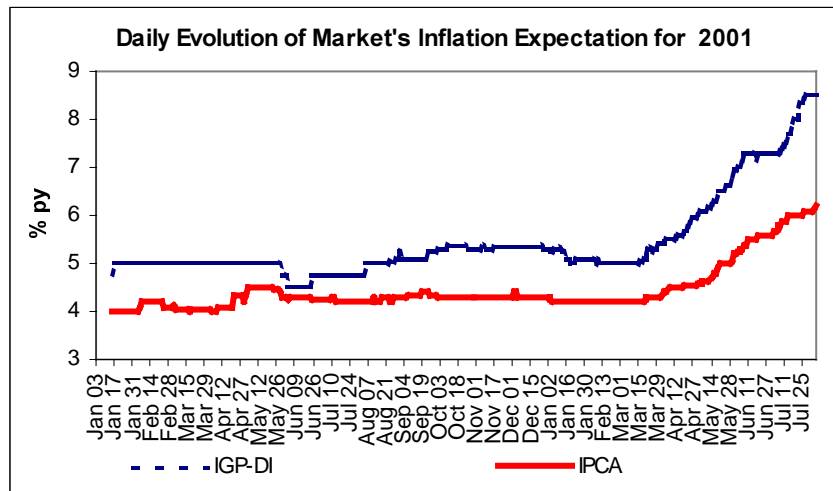


Figure 2
Dispersion of Inflation Forecasts for 2001
 Banco Central do Brasil Daily Survey on Market Expectations

