

October 4, 2002

The median of market expectations for the trade balance surplus increased to US\$8.90 billion from US\$8.10 billion for 2002 and to US\$11.00 billion from US\$9.50 billion for 2003, as tracked by Banco Central do Brasil daily survey.

The median of forecasts for the current account deficit reduced to US\$ 15.25 billion from US\$16.00 billion for 2002 and to US\$13.90 billion from US\$14.85 billion for 2003. The expectations for the net flow of foreign direct investment remained at US\$16.00 billion for 2002 and declined to US\$15.45 billion from US\$16.00 billion for 2003.

The expectations for the GDP growth declined to 1.32% from 1.37% for 2002 and to 2.60% from 2.70% for 2003.

The forecasts for the IPCA increased to 6.91% from 6.76% for 2002 and to 5.53% from 5.50% for 2003. The median of expectations for the INPC increased to 7.62% from 7.52% for 2002 and to 6.20% from 6.00% for 2003. The expectations for the IPC-Fipe increased to 5.12% from 5.02% for 2002 and to 5.00% from 4.90% for 2003. The median of expectations for the IGP-DI increased to 13.46% from 13.02% for 2002 and to 7.55% from 7.05% for 2003. The forecasts for the IGP-M increased to 13.11% from 12.49% for 2002 and to 7.45% from 7.00% for 2003.

The expectations for the Over-Selic rate increased to 17.50% from 17.31% p.a. for 2002 and remained at 15.00% p.a. for 2003. The median of forecasts for the exchange rate increased to R\$/US\$3.08 from R\$/US\$2.98 for 2002 and to R\$/US\$3.20 from R\$/US\$3.03 for 2003.

On the fiscal front, the median of expectations for the primary surplus increased to 3.88% of the GDP from 3.87% of the GDP for 2002 and remained at 3.75% of the GDP for 2003. The median of forecasts for the nominal harmonized deficit remained at 3.50% of the GDP for 2002 and at 3.00% of the GDP for 2003. Expectations for the surveyed economic indicators, along with median projections for the Top 5 forecasting institutions are quoted in the tables and figures below.

**Table 1-a
Market Readout**

Banco Central do Brasil Daily Survey on Market Expectations - Median

PRICE INDICES

| (% change) | September | | October | |
|------------|--------------|-------------|--------------|-------------|
| | As of Sep 27 | As of today | As of Sep 27 | As of today |
| IGP-DI | 1.88 | 2.10 | 0.83 | 1.05 |
| IGP-M | - | - | 1.00 | 1.25 |
| INPC | 0.55 | 0.65 | 0.40 | 0.55 |
| IPCA | 0.55 | 0.55 | 0.44 | 0.50 |
| IPC-FIPE | 0.65 | 0.69 | 0.50 | 0.50 |
| | 2002 | | 2003 | |
| IGP-DI | 13.02 | 13.46 | 7.05 | 7.55 |
| IGP-M | 12.49 | 13.11 | 7.00 | 7.45 |
| INPC | 7.52 | 7.62 | 6.00 | 6.20 |
| IPCA | 6.76 | 6.91 | 5.50 | 5.53 |
| IPC-FIPE | 5.02 | 5.12 | 4.90 | 5.00 |

**Table 1-b
Market Readout**

Banco Central do Brasil Daily Survey on Market Expectations - Median

OTHER ECONOMIC INDICATORS – 2002/2003

| | 2002 | | 2003 | |
|---|--------------|-------------|--------------|-------------|
| | As of Sep 27 | As of today | As of Sep 27 | As of today |
| GDP growth (%) | 1.37 | 1.32 | 2.70 | 2.60 |
| Trade Balance (US\$ billion) | 8.10 | 8.90 | 9.50 | 11.00 |
| Current Account (US\$ billion) | -16.00 | -15.25 | -14.85 | -13.90 |
| FDI (US\$ billion) | 16.00 | 16.00 | 16.00 | 15.45 |
| Fiscal Figures (% of GDP) | | | | |
| Primary Balance | 3.87 | 3.88 | 3.75 | 3.75 |
| Nominal Balance (harmonized) | -3.50 | -3.50 | -3.00 | -3.00 |
| Exchange Rate End of period (R\$/US\$) | 2.98 | 3.08 | 3.03 | 3.20 |
| Over-Selic End of period (% p.a.) | 17.31 | 17.50 | 15.00 | 15.00 |

Table 2
Market Readout

*Banco Central do Brasil Daily Survey on Market Expectations - Median
Top 5 – Short Run Forecasting Institutions*

| (% change) | September | | October | |
|------------|--------------|-------------|--------------|-------------|
| | As of Sep 27 | As of today | As of Sep 27 | As of today |
| IGP-DI | 2.15 | 2.45 | 1.08 | 1.08 |
| IGP-M | - | - | 1.64 | 2.30 |
| IPCA | 0.50 | 0.50 | 0.43 | 0.50 |
| | 2002 | | 2003 | |
| IGP-DI | 13.65 | 13.65 | 5.45 | 5.45 |
| IGP-M | 14.05 | 16.50 | 7.10 | 7.60 |
| IPCA | 6.94 | 6.97 | 5.53 | 5.53 |

Table 3
Market Readout

*Banco Central do Brasil Daily Survey on Market Expectations - Median
Top 5 – Medium Run Forecasting Institutions*

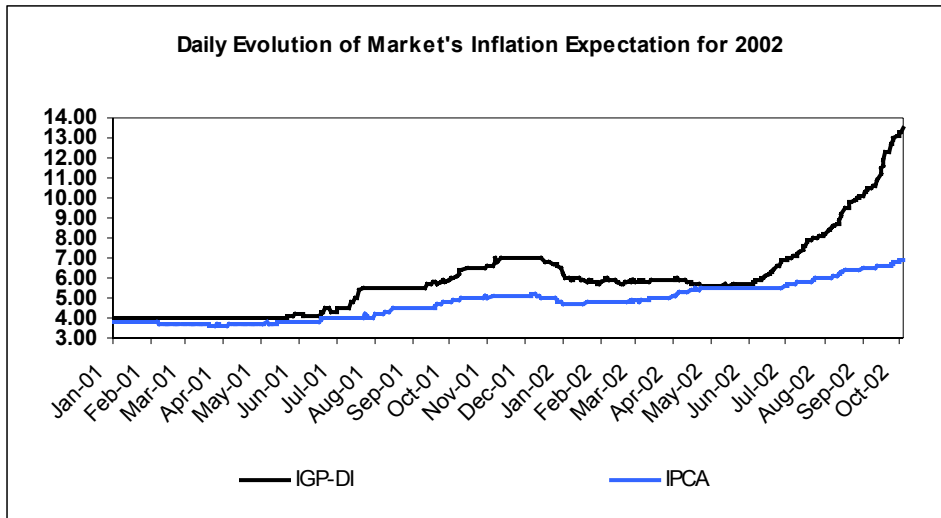
| (% change) | September | | October | |
|------------|--------------|-------------|--------------|-------------|
| | As of Sep 27 | As of today | As of Sep 27 | As of today |
| IGP-DI | 2.10 | 2.10 | 1.08 | 1.08 |
| IGP-M | - | - | 1.50 | 1.50 |
| IPCA | 0.55 | 0.55 | 0.42 | 0.50 |
| | 2002 | | 2003 | |
| IGP-DI | 13.65 | 13.65 | 7.10 | 7.83 |
| IGP-M | 14.11 | 14.11 | 7.45 | 7.45 |
| IPCA | 6.82 | 6.97 | 5.52 | 6.11 |

Table 4
Market Readout

*Banco Central do Brasil Daily Survey on Market Expectations - Median
Top 5 – Long Run Forecasting Institutions*

| (% change) | September | | October | |
|------------|--------------|-------------|--------------|-------------|
| | As of Sep 27 | As of today | As of Sep 27 | As of today |
| IPCA | 0.60 | 0.60 | 0.37 | 0.40 |
| | 2002 | | 2003 | |
| IPCA | 6.69 | 6.96 | 5.60 | 6.13 |

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



Graph 2
Dispersion of Inflation Forecasts for 2002
 Banco Central do Brasil Daily Survey on Market Expectations

