Survey data to monitor economic and financial conditions

First Atlanta-NY Research Day

Carlos Viana de Carvalho

February 2019

Index

I. Information from FX and Open Market Dealers

    i. Use of Market Data Examples

II. Financial Stability Survey

III. Quarterly Credit Conditions Survey

IV. Pre-Copom Survey

V. BCB's "Focus" Survey (SPF)

I. Information from FX and Open Market Dealers

BANCO CENTRAL
DO BRASIL

Main Principles

- BCB gathers market information through permanent contact with its FX and open market dealers; Communication channels include open chats and telephone.

- BCB evaluates and ranks dealers on:

  - volume traded;

  - contribution to the FX reference rate (Ptax);

  - participation in BCB FX and monetary policy auctions;

  - market intelligence.

- BCB encourages dealers to make regular presentations about specific market issues.

BANCO CENTRAL DO BRASIL

Types of Information

- Information includes:

  - expected cross border financial and investment flows;

  - assessment of movements in yield curve, inflation b.e., fx, equity market and other market indicators;

  - main strategies pursued by market participants;

  - analysis on Government bonds primary and secondary markets;

  - expectations for Monetary Policy Committee ("COPOM") decision;

  - views on appropriate COPOM decision.

- evaluation of COPOM decision and communication

BANCO CENTRAL DO BRASIL

i. Use of Market Data Examples

Inflation b.e.

Inflação implícita	2019				2020				2021				2022			
	Taxa (%)	Variações (bp)			Taxa (%)	Variações (bp)			Taxa (%)	Variações (bp)			Taxa (%)	Variações (bp)		
Indicadores	31/jan	Dia	Sem.	Mês	31/jan	Dia	Sem.	Mês	31/jan	Dia	Sem.	Mês	31/jan	Dia	Sem.	Mês
BCB-DAP	3,63%	-6	-13	3	3,92%	-9	-6	-23	4,35%	-15	-9	-2	4,48%	-14	0	11
BCB-NTN-B	3,61%	-4	-10	-7	3,99%	-8	-6	5	4,20%	-12	-12	-9	4,56%	-14	-12	-9
Média das IFs	3,54%	-4	-18	-25	4,00%	-6	-7	-10	4,37%	-10	-11	-3	4,45%	-10	-3	N/D

Source: BCB

BANCO CENTRAL DO BRASIL

II. Financial Stability Survey

Basic Characteristics

- Prospective assessment of risks to financial stability from the viewpoint of supervised entities and their evaluation of the resilience of the financial system.

- Comprises the largest 55 banks in Brazil (~95% of system's total assets), including state-owned, private domestic and foreign banks.

- Quarterly, since September 2011.

- Supports decision-making by the BCB Financial Stability Committee.

- Published in the Financial Stability Report.

Examples

## FSS – Risks: Probability and Impact

Question: "Identify the three most important risks for financial stability in the next three years, along with the probability and impact of such events"
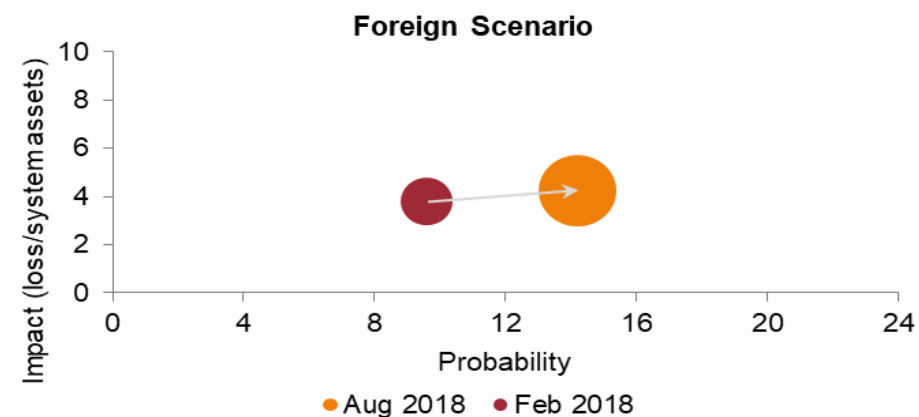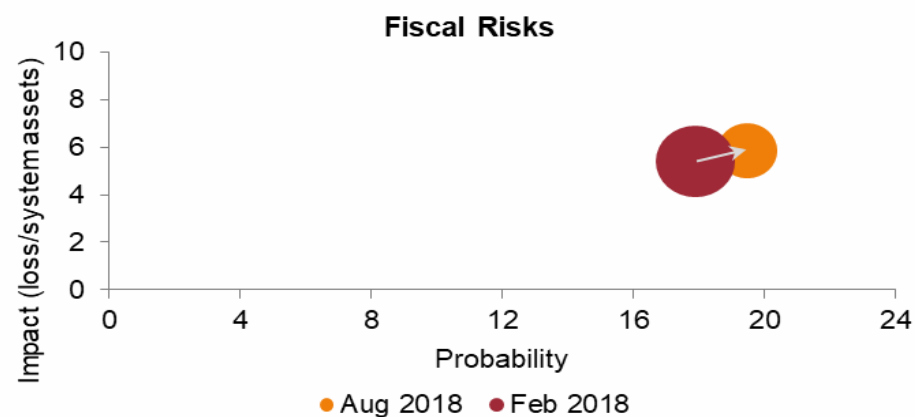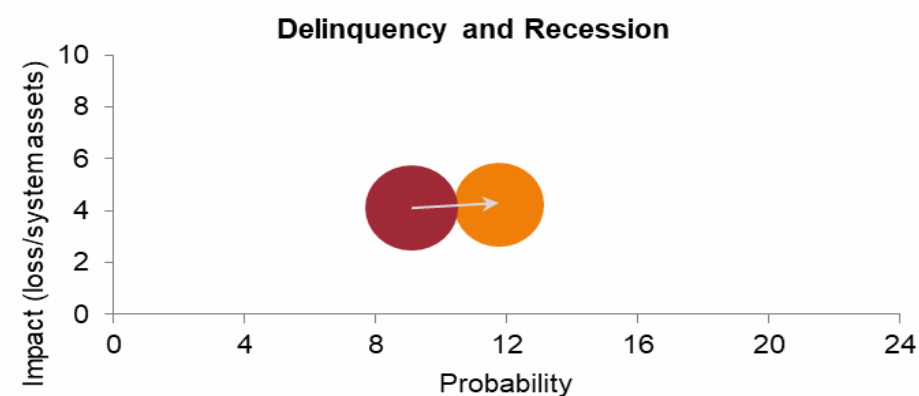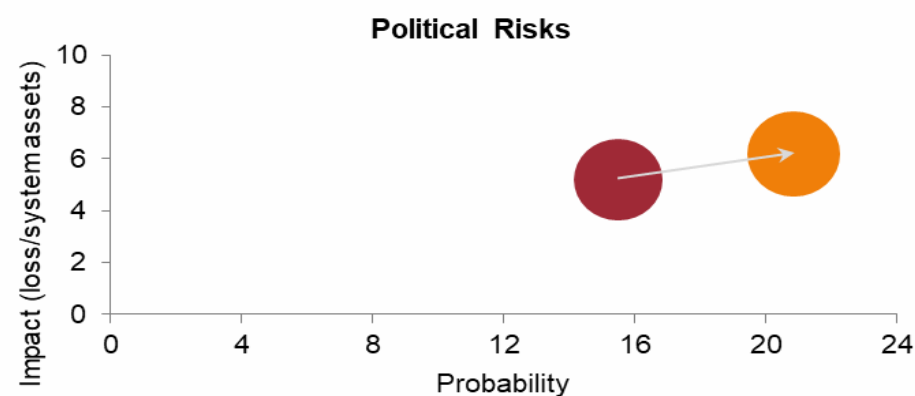
Examples

FSS – Economic and Financial Cycles

Questions: "How would you classify the current stage of the economic cycle?" and "In which phase of the cycle does your institution classify the the financial cycle factors below?"
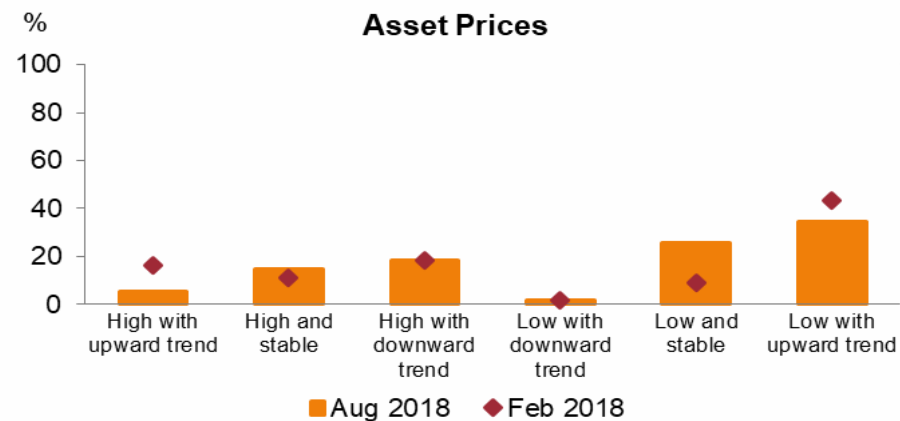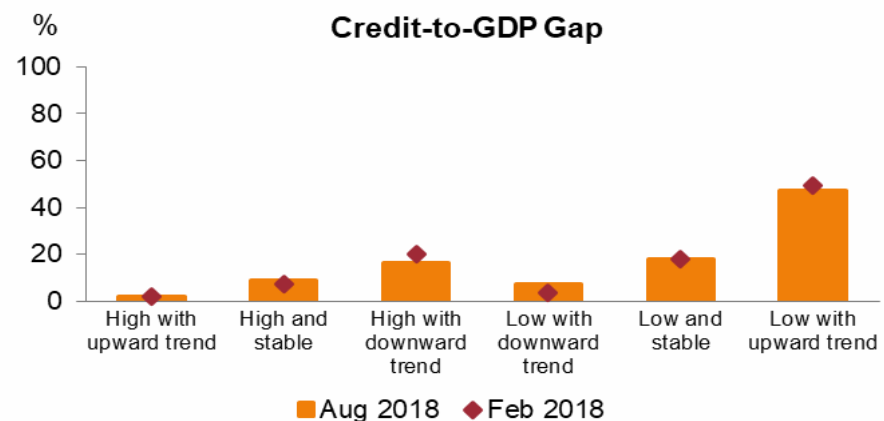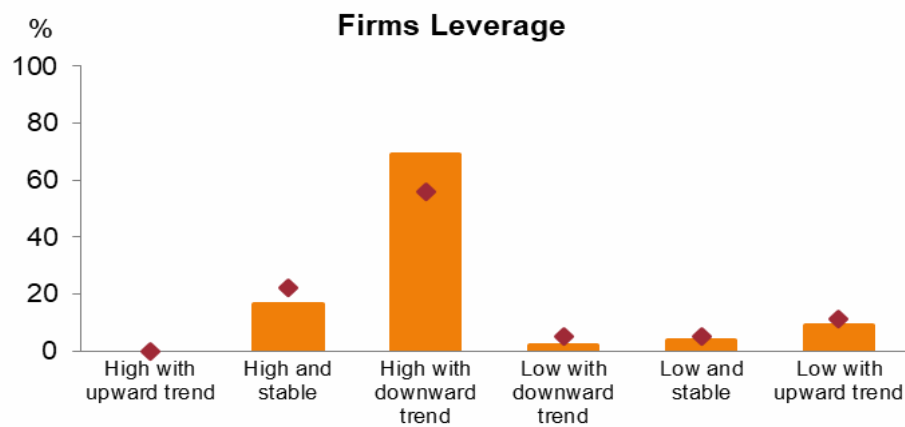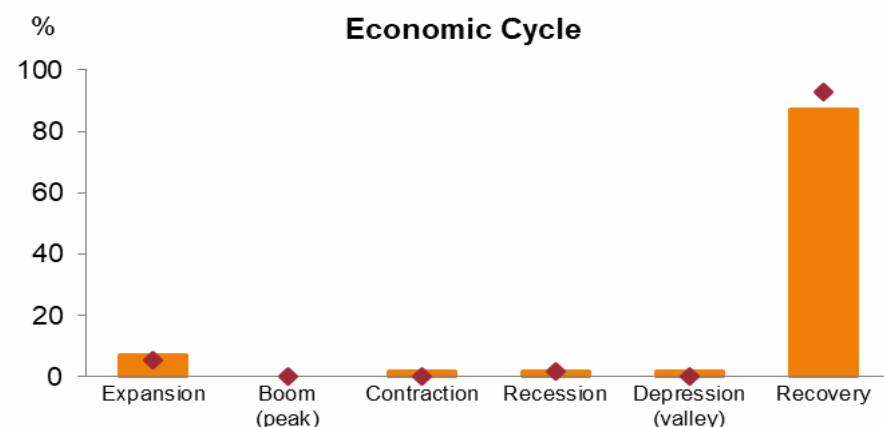
III. Quartetly Credit Conditions Survey

BANCO CENTRAL
DO BRASIL

Quarterly Credit Conditions Survey

- Similar surveys:

  - USA - Senior Loan Officer Opinion Survey on Bank Lending Pratices;

  - UK - Credit Conditions Survey;

  - Japan - Senior Loan Officer Opinion Survey on Bank Lending Pratices;

  - Chile - Estándares de Aprobación en el Mercado del Crédito Bancario;

  - EU - Bank Lending Survey for the Euro Area.

BANCO CENTRAL
DO BRASIL

Quarterly Credit Conditions Survey

Questions about credit demand, supply and approvals grouped into four segments:

- Large corporations

- Micro, small and medium-sized corporations

- Household – consumption

- Household - housing

Inflation Report (2018 Dec)

Figure 1.24 – New credit lines approvals indicators

Legend:
- Micro, small and medium corp.
- Large corp.
- Corporations - Consumption
- Corporation - Housing
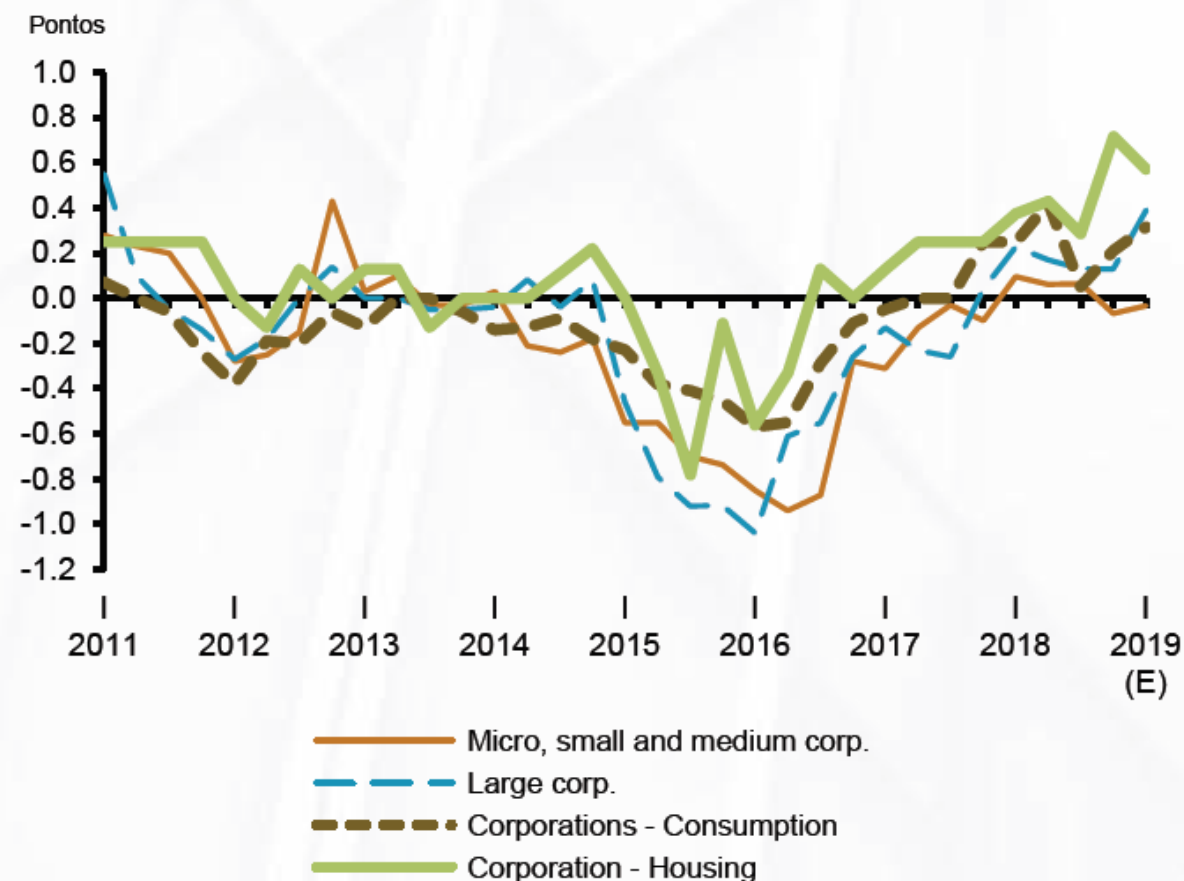
Obs.: (E) – Values for I 2019 correspond to the respondents expectations for 2018Q4. Other values correspond to the expectation regarding the situation of each semester.

For the first quarter of 2019, **increased volume of new credit grants is expected** for the household segment (consumption and housing) and large corporations. For the segment of micro, small and medium-sized corporations, the **maintenance in the pace of growth of new grants is expected**.

BANCO CENTRAL DO BRASIL

Banking Report

Figure 1.31d – Contributing Factors[1]
Credit Demand – Housing

- Employment and salaries level
- Consumer confidence
- Household income commitment level
- Change in interest rates
- Other factors
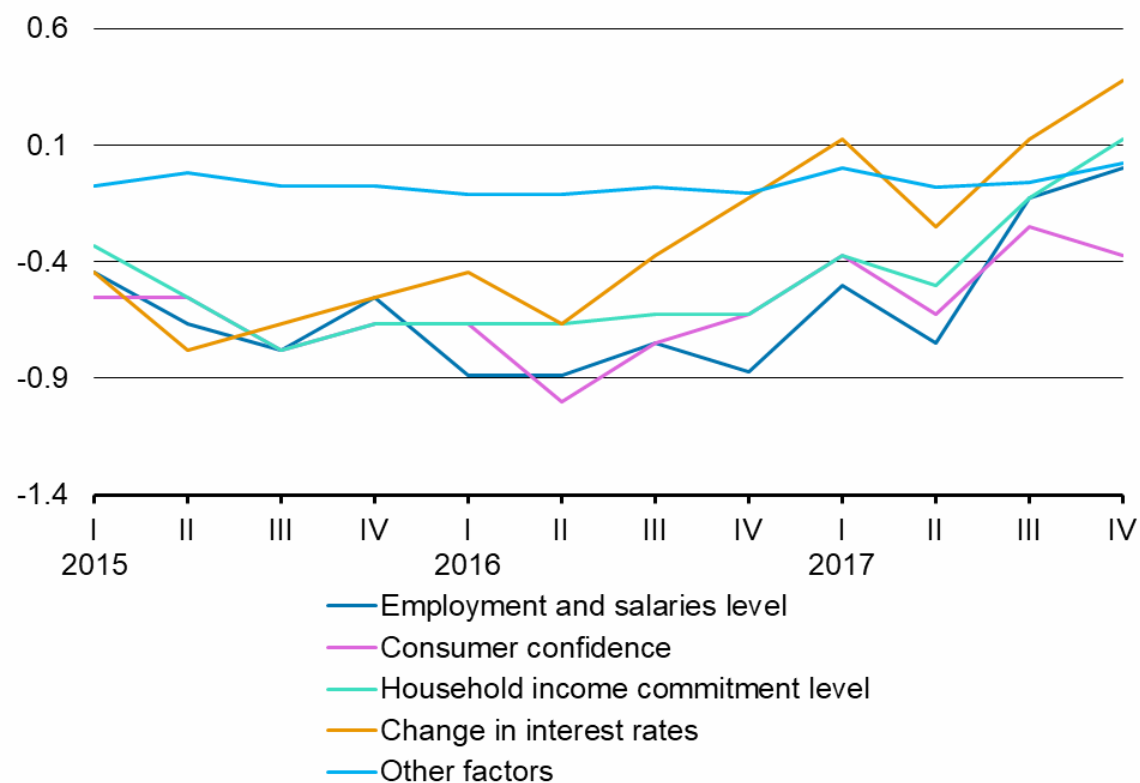
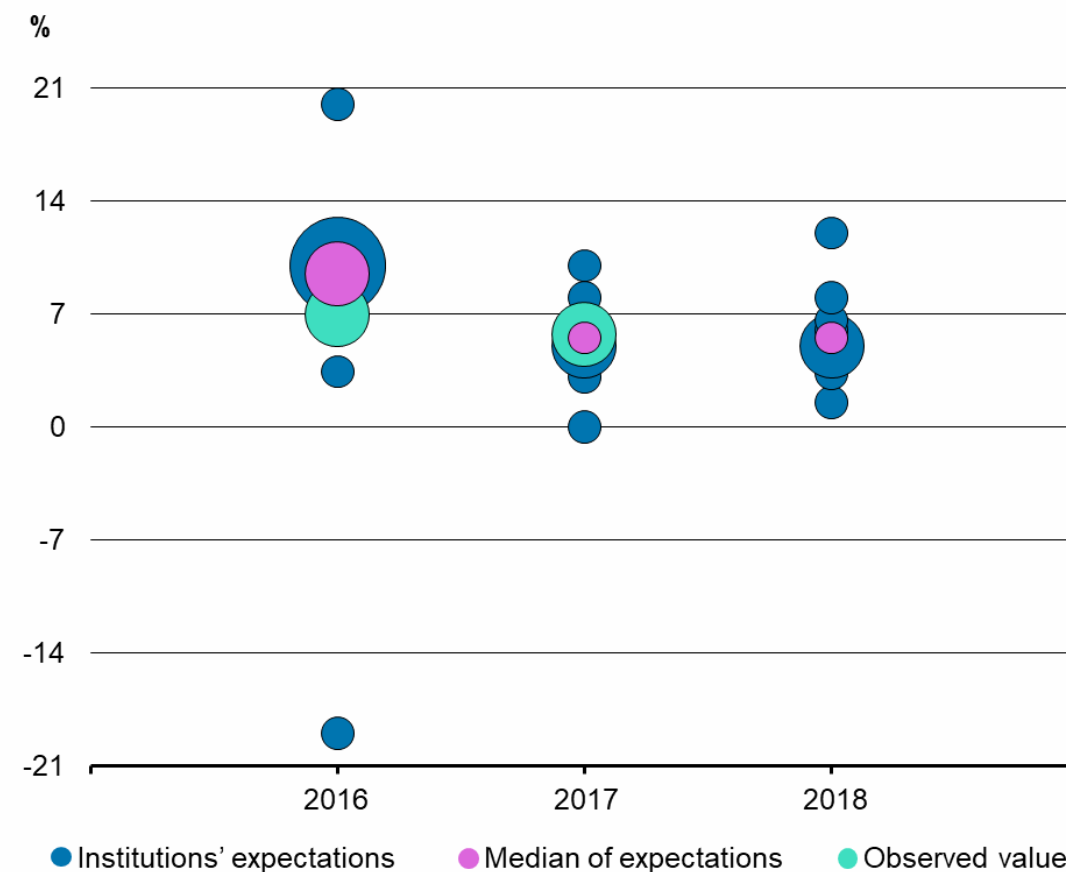1/ Values presented correspond to an average score (between -2 – influencing towards decrease in demand and +2 – influencing towards increase in demand) assigned by respondents to the effects of different factors on credit demand.

Figure 1.35 – Balance change
Housing credit

- Institutions' expectations
- Median of expectations
- Observed value

BANCO CENTRAL DO BRASIL

IV. Pre-Copom Survey

Pre-Copom Survey

Questions can be customized for each Copom meeting.

Questions are published at the BCB site:

https://www.bcb.gov.br/conteudo/relinvest/PrCopom/Quest_PreCopom_Fev19.pdf

= Pesquisa Pré-Copom =
220ª Reunião – Fevereiro de 2019

1 – O que acha que o Comitê de Política Monetária vai fazer na próxima reunião e o que considera que deveria ser feito?

Vai fazer:

( ) Manter   ( ) Reduzir em _____ p.b.   ( ) Aumentar em _____ p.b.

Deveria fazer:

( ) Manter   ( ) Reduzir em _____ p.b.   ( ) Aumentar em _____ p.b.

Por quê?

2 – Qual sua expectativa em relação à comunicação do Copom, no que se refere ao Comunicado, Ata e sinalização dos próximos passos de política monetária? O que considera que deveria ser comunicado?

3 – Qual a sua projeção para a inflação acumulada do IPCA em 2019 e 2020 – índice cheio, alimentação, bens industriais, serviços e administrados (energia elétrica, gasolina e GLP)?

4 – Qual o seu balanço de riscos para a inflação em 2019 e 2020? Quais os principais riscos, favoráveis e desfavoráveis, contemplados no seu cenário?

5 - Como avalia o desempenho fiscal (Governo Central e entes Subnacionais) em 2019 e 2020? Qual sua expectativa quanto à aprovação de reformas estruturais e à dinâmica da dívida bruta?

6 – Como avalia as perspectivas para o crédito a pessoas físicas e pessoas jurídicas (crédito livre e direcionado)? Quais suas projeções dos saldos de crédito desses segmentos para 2019 e 2020? Como avalia as condições de acesso das empresas aos mercados de crédito e de capitais, doméstico e externo?

7 – Quais as suas projeções para o crescimento do PIB em 2018, 2019 e 2020? Se possível, explicite suas projeções para os componentes FBCF e consumo das famílias.

8 - Como avalia o atual grau de ociosidade de fatores (capital e trabalho) na economia brasileira? Qual sua expectativa quanto à intensidade da recuperação econômica e fechamento do hiato do produto? Quais são as perspectivas para a recuperação do investimento, nesse ambiente?

9 - Como avalia as perspectivas para o comportamento do mercado de trabalho e a dinâmica salarial neste e nos próximos trimestres? Qual é sua projeção para 2018 e 2019 (taxa média e fechamento de ano)?

10 – Qual a sua avaliação sobre as perspectivas para a atividade econômica global em 2019 e 2020, em particular para EUA, Europa e China, e para o preço das principais *commodities* exportadas pelo Brasil?

• Por gentileza, informe suas últimas projeções (dados de fechamento anual):

_____

	IPCA	IGP-M	PIB	Tx.Câmbio	Selic	Bal.Comercial	Res.Primário (%PIB)
2019							
2020							

V. BCB's "Focus" Survey (SPF)

Overview

Market Expectations System

Focus – Market Report

- Statistics for all variables collected
- Horizons: up to 18 months, 6 semesters or five years ahead
- Every monday at 8:30 am

Top 5 institutions

- Forecasting contest
- Monthly and annual rankings

Focus – Microdata

- Started publishing in July 2018
- Dataset since 2010 (to be extended back to beginning of survey)
- 1yr lag
- Fake ids

Variables with expectations collected by the Market Expectations System

Variable type	Variable to be forecasted	Number of projections collected by the System			Type of projection inserted in the System	
		Monthly	Quarterly	Annually	Monthly	Quarterly/Annually
Price index	IGP–DI, IGP–M, IPA–M, IPA–DI, IPCA, IPCA–15 or INPC	18	0	5 [a]	m/m % [b]	y/y % [c]
	Regulated Prices	0	0	5		y/y % [c]
Economic activity	Industrial Production	18	0	5 [a]	y/y % [c]	y/y % [c]
	GDP, Agriculture GDP, Manufacture GDP or Service GDP	0	6	5 [a]		y/y % [c]
FX Rate (R$/US$)	Ptax– end-of-period	18 [d]	0	5	[e]	[e]
	Ptax– annual average	0	0	5		Annual average
Target for Selic rate	Selic Target - end-of-period	18 [d] [f]	0	5	[e]	[e]
	Selic Target – annual average	0	0	5		Annual average
External Sector	Exports and Imports	0	0	5		Value in US$ billions
	Trade Balance	0	0	5 [g]		
Balance of payment	Current Account Result	0	0	5		Value in US$ billions
	Direct Investment Liabilities [h]	0	0	5		
Fiscal	Primary Result of the Consolidated Public Sector	0	0	5		% of GDP
	Nominal Result of the Consolidated Public Sector	0	0	5		
	Net Public Sector Debt	0	0	5		

- Access must be previously authorized.
- Currently, about 130 logins are enabled, mostly banks, asset managers, dealers and brokers, as well as consulting and other non-financial companies.
- There is no mandatory provision of information. Some participating institutions specialize in forecasting some variables and do not provide projections for the others.

BANCO CENTRAL DO BRASIL

USD-BRL - Past movements and FX predictability

Inflation report box (published on 9/27/2018)

https://www.bcb.gov.br/htms/relinf/ing/2018/09/ri201809b8i.pdf

Analysis of the predictive power of the exchange expectations of the BCB's Market Expectations System (Focus) against historically difficult-to-beat benchmark – the random walk.

BANCO CENTRAL
DO BRASIL

USD-BRL – Historical Data
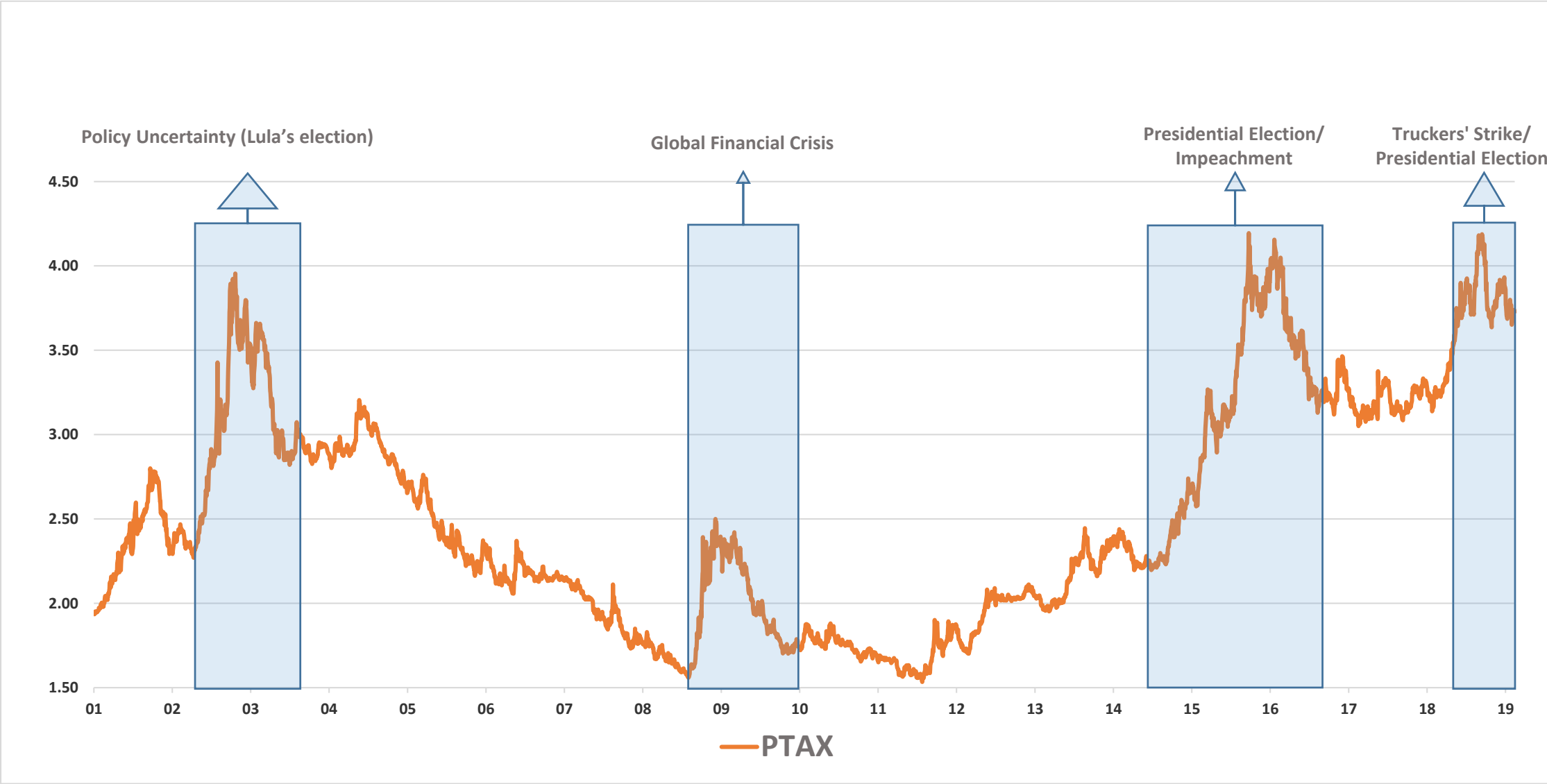
USD-BRL - Past movements and FX predictability

Full sample: December 1st, 2001 - May 15th 2018

Projection horizon[1]	Focus MSE	Focus		Random walk	
		% bias	% variance	% bias	% variance
1	1.13	0.02	99.98	0.19	99.81
2	1.10	0.07	99.93	0.32	99.68
3	1.08	0.19	99.81	0.38	99.62
4	1.07	0.35	99.65	0.43	99.57
5	1.06	0.40	99.60	0.51	99.49
6	1.04	0.50	99.50	0.59	99.41
7	1.01	0.59	99.41	0.63	99.37
8	0.99	0.83	99.17	0.60	99.40
9	0.99	1.00	99.00	0.57	99.43
10	0.99	1.27	98.73	0.53	99.47
11	0.99	1.62	98.38	0.46	99.54
12	1.00	2.04	97.96	0.39	99.61

Souce: BCB

1/ Months ahead.

Focus' mean square error (MSE) exceeds the random walk's for 1 - 7 months ahead projections; roughly equal for 8 - 11 months ahead projections.

BANCO CENTRAL DO BRASIL

USD-BRL - Past movements and FX predictability

Sub-sample results, excluding lowest k% variation

Projection horizon [1]	Focus MSE excluding the lowest k% variations					
	k=0	k=25	k=50	k=75	k=85	k=90
1	1.13	1.16	1.20	1.23	1.29	1.30
2	1.10	1.15	1.23	1.29	1.42	1.47
3	1.08	1.14	1.21	1.32	1.43	1.50
4	1.07	1.11	1.18	1.37	1.44	1.53
5	1.06	1.09	1.14	1.29	1.33	1.32
6	1.04	1.07	1.11	1.18	1.15	1.09
7	1.01	1.02	1.03	1.06	0.98	0.93
8	0.99	1.01	1.00	1.01	0.91	0.86
9	0.99	1.00	0.99	0.98	0.88	0.81
10	0.99	0.99	0.98	0.96	0.86	0.80
11	0.99	1.00	0.98	0.94	0.84	0.77
12	1.00	1.00	0.98	0.94	0.84	0.77

Source: BCB

1/ Months ahead.

After periods of greater exchange rate variation, Focus 1 - 6 months ahead projections tend to deteriorate relative to random walk projections. The result is reversed for 7 - 12 months ahead projections.

Result also holds for when sample is restricted to participants who did change their projections.

BANCO CENTRAL DO BRASIL

Survey data to monitor economic and financial conditions

First Atlanta-NY Research Day

Carlos Viana de Carvalho

February 2019

BANCO CENTRAL DO BRASIL