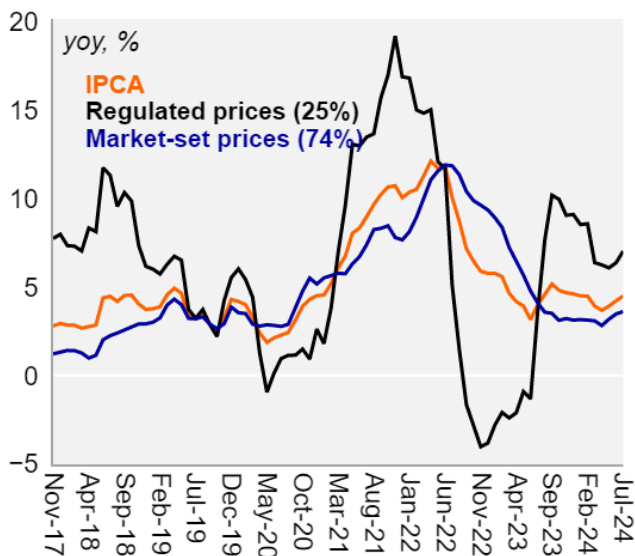


August 9, 2024

IPCA moved up 0.38% in July

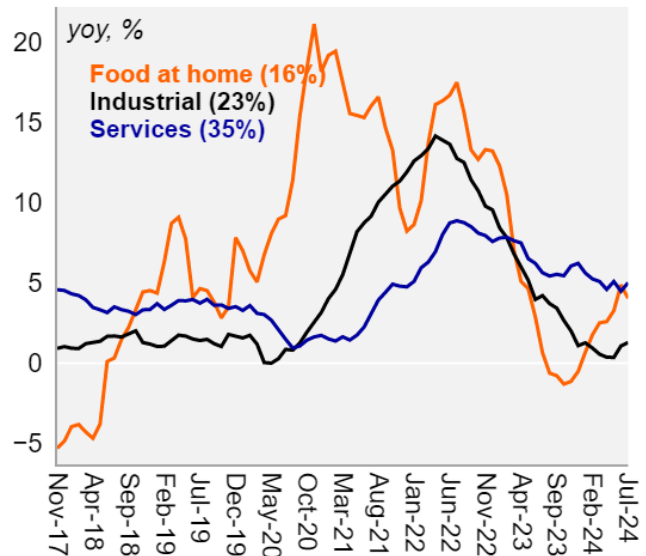
- ▶ July IPCA came in at 0.38%, slightly above our call (0.37%) and exceeding market forecast (0.35%). In 12 months, IPCA rose 4.5%, versus 4.2% in June.
- ▶ Compared to our forecast, we highlight the higher-than-expected prints in gasoline and household articles. Food at home, on the other hand, came in below our forecast. Regarding core metrics, underlying services inflation was in line with our estimates, while underlying industrials came in above expectations led by animal food.
- ▶ In the three-month moving average, with seasonally adjusted and annualized data, underlying services inflation moved up to 6.1% (from 4.5%), while underlying industrials moved up to 2.4% (from 1.8%). In the same metric, the average of core inflation measures increased to 4.8% (from 3.6%).
- ▶ **Our view:** July's IPCA was in line with our expectations, showing a significant acceleration in underlying services, indicating that the best qualitative moment in inflation appears to be behind us. We expect the service component to remain under pressure, reflecting the tight labor market, as well as industrial prices, reflecting the more depreciated exchange rate.

IPCA - Market-Set and Regulated Prices



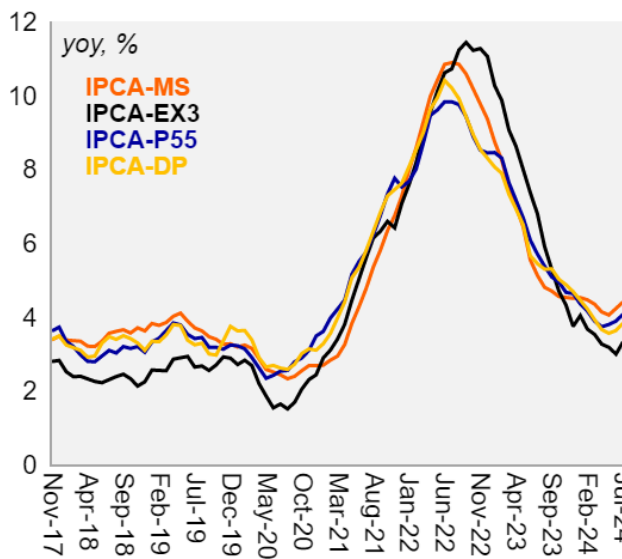
Source: IBGE, Itaú

IPCA - Market-Set Prices



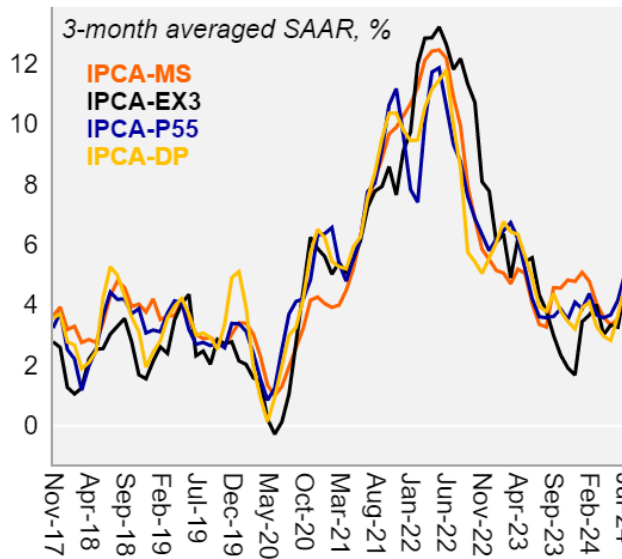
Source: IBGE, Itaú

IPCA - Core



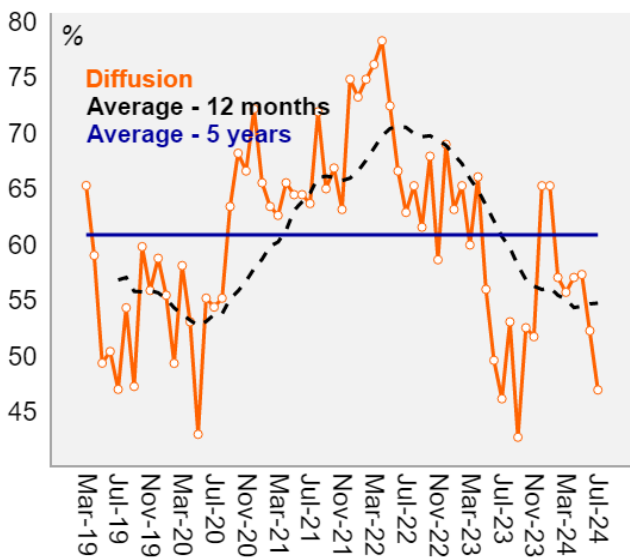
Source: IBGE, Itaú

IPCA - Core s.a. annualized, 3-month averaged



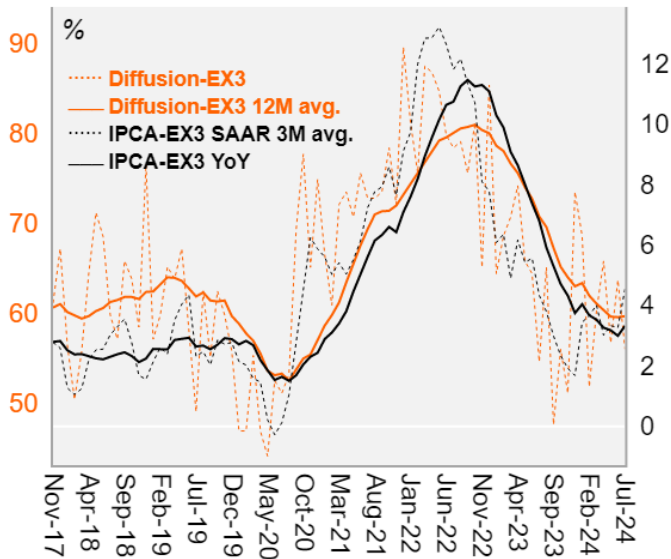
Source: IBGE, Itaú

IPCA - Diffusion Index



Source: IBGE, Itaú

IPCA and diffusion index for EX3 core



Source: IBGE, Itaú

	Weight	Jul-2023		Jun-2024		Jul-2024		Proj.	Δ bps	
		IPCA-15	IPCA	IPCA-15	IPCA	IPCA-15	IPCA			
	100	Headline	-0.07	0.12	0.39	0.21	0.30	0.38	0.37	1.0
GROUPS	21	Food & beverage	-0.40	-0.46	0.98	0.44	-0.44	-1.00	-0.85	-3.2
	15	Food at home	-0.72	-0.72	1.13	0.47	-0.70	-1.51	-1.27	-3.8
	5	Food out of home	0.46	0.21	0.59	0.37	0.25	0.39	0.29	0.6
	15	Housing	-0.94	-1.01	0.63	0.25	0.49	0.77	0.86	-1.4
	3	Household articles	-0.40	0.04	-0.01	0.19	0.24	0.48	0.21	1.0
	4	Apparel	0.04	-0.24	0.30	0.02	-0.08	-0.02	-0.12	0.5
	20	Transportation	0.63	1.50	-0.23	-0.19	1.12	1.82	1.58	4.9
	13	Health and personal care	0.07	0.26	0.57	0.54	0.33	0.22	0.24	-0.3
	10	Personal spending	0.38	0.38	0.25	0.29	0.32	0.52	0.49	0.3
	6	Education	0.11	0.13	0.05	0.06	0.06	0.08	0.07	0.1
4	Communication	-0.17	0.00	0.17	-0.08	0.09	0.18	0.14	0.2	
BREAKDOWN	26	Regulated prices	0.17	0.46	0.40	0.33	0.54	1.08	1.04	1.0
	4	Residential electricity	-3.45	-3.89	0.79	0.30	1.20	1.93	2.20	-1.1
	5	Gasoline	2.99	4.75	-0.13	0.64	1.43	3.15	2.80	1.8
	74	Market-set prices	-0.15	0.01	0.38	0.16	0.21	0.14	0.13	0.8
	15	Food at home	-0.72	-0.72	1.13	0.47	-0.70	-1.51	-1.27	-3.8
	23	Industrials	-0.55	0.12	0.31	0.13	0.08	0.33	0.17	3.7
35	Services	0.36	0.25	0.10	0.04	0.70	0.75	0.73	0.8	
CORES AND DIFFUSION	4	Underlying food at home	-0.03	0.03	0.43	0.30	0.35	0.49	0.48	0.1
	15	Underlying industrials	-0.11	-0.05	0.29	0.13	0.07	0.11	0.04	1.1
	21	Underlying services	0.35	0.19	0.40	0.36	0.58	0.63	0.61	0.5
	58	IPCA-EX0	-0.00	0.20	0.18	0.08	0.46	0.59	0.51	4.5
	82	IPCA-EX1	-0.07	0.01	0.30	0.15	0.42	0.52	0.49	2.7
	40	IPCA-EX2	0.13	0.08	0.36	0.26	0.36	0.42	0.44	-0.9
	36	IPCA-EX3	0.15	0.09	0.35	0.26	0.36	0.41	0.44	-1.1
	-	IPCA-MS	0.11	0.22	0.41	0.28	0.35	0.39	0.32	-
	-	IPCA-DP	0.04	0.21	0.37	0.20	0.30	0.40	0.35	-
	-	IPCA-P55	0.17	0.18	0.37	0.30	0.23	0.36	-	-
-	Diffusion index	47.96	46.15	56.95	52.25	51.23	46.95	-	-	

IPCA-EX0: excludes food and Regulated prices.

IPCA-EX3: underlying indicator for services and industrial products.

IPCA-MS (Smoothed Trimmed Means): before the items with a monthly variation above the 80th percentile or below the 20th percentile are excluded, components with infrequent variations are smoothed.

IPCA-DP (Double Weight): proportionally reduces the weight of more volatile items.

Diffusion: share of subitens with positive price changes during the month.

Source: IBGE, BCB, Itaú

	Weight	Jul-23	Apr-24	May-24	Jun-24	Jul-24
IPCA (monthly)	100.0	0.12	0.38	0.46	0.21	0.38
Regulated prices	26.0	0.46	0.74	0.55	0.33	1.08
Market-set prices	74.0	0.01	0.26	0.42	0.16	0.14
Food at home	15.7	-0.72	0.81	0.66	0.47	-1.51
Industrials	23.0	0.12	0.21	0.29	0.13	0.33
Services	35.3	0.25	0.05	0.40	0.04	0.75
IPCA (12-month)	100.0	3.99	3.69	3.93	4.23	4.50
Regulated prices	26.0	3.63	6.26	6.09	6.38	7.04
Market-set prices	74.0	4.11	2.82	3.19	3.48	3.62
Food at home	16.0	0.66	2.59	3.27	4.88	4.04
Industrials	23.0	4.21	0.37	0.36	1.07	1.29
Services	35.0	5.64	4.60	5.09	4.48	5.01
Core* (monthly)						
IPCA-EX0	58.0	0.20	0.12	0.36	0.08	0.59
IPCA-EX3	37.0	0.09	0.27	0.36	0.26	0.41
IPCA-MS	-	0.22	0.30	0.40	0.28	0.39
IPCA-DP	-	0.21	0.31	0.36	0.20	0.40
IPCA-P55	-	0.18	0.34	0.45	0.30	0.36
Average**	-	0.18	0.27	0.39	0.22	0.43
Core* (12-month)						
IPCA-EX0	58.0	5.06	2.89	3.17	3.11	3.51
IPCA-EX3	37.0	6.79	3.26	3.17	2.99	3.32
IPCA-MS	-	5.12	4.14	4.05	4.23	4.41
IPCA-DP	-	5.44	3.66	3.56	3.63	3.83
IPCA-P55	-	5.70	3.73	3.79	3.89	4.07
Média núcleos**	-	5.62	3.54	3.55	3.57	3.83
Difusão***						
Diffusion index	-	46.15	57.03	57.29	52.25	46.95

* IPCA-EX0: excludes food and Regulated prices.

IPCA-EX3: underlying indicator for services and industrial products.

IPCA-MS (Smoothed Trimmed Means): before the items with a monthly variation above the 80th percentile or below the 20th percentile are excluded, components with infrequent variations are smoothed.

IPCA-DP (Double Weight): proportionally reduces the weight of more volatile items.

IPCA-P55: corresponds to the variation of the 55th percentile of the distribution weighted by the subitem weights.

** Average of IPCA-EX0, EX3, MS, DP and P55.

*** Diffusion: share of subitens with positive price changes during the month.

Source: IBGE, BCB, Itaú

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