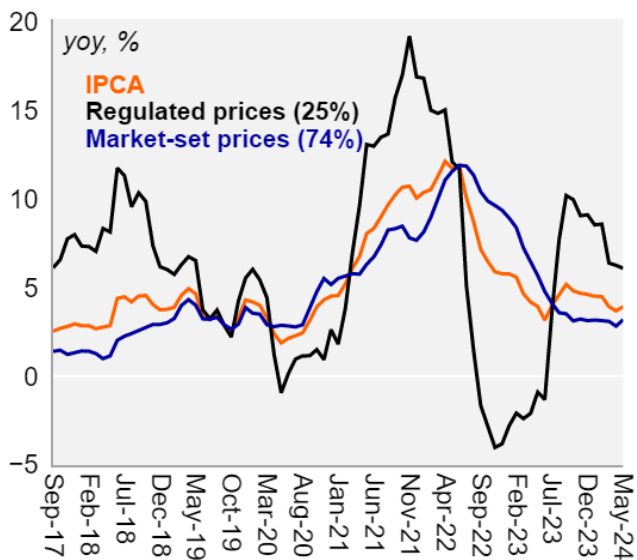


IPCA rose 0.46% in May, matching our call

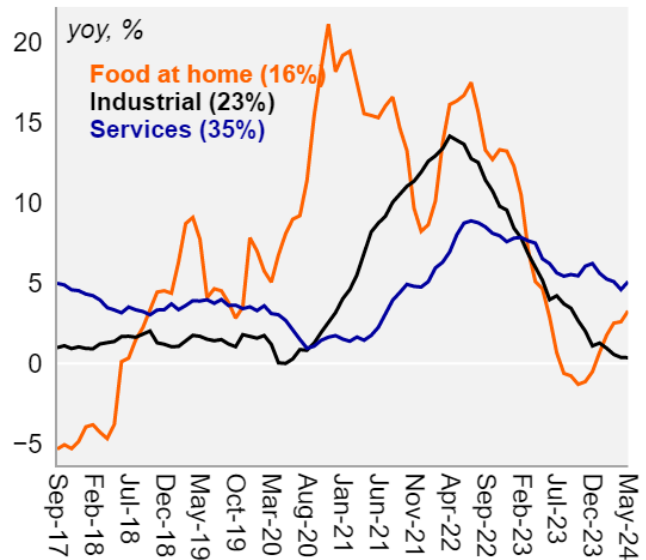
- ▶ May IPCA came in at 0.46%, in line with our call (0.46%) and above market forecast (0.42%). In 12 months, IPCA rose 3.9%, up from 3.7% in April.
- ▶ Compared to our forecast, we highlight the higher-than-expected print in food at home, offset by the lower-than-expected print in gasoline. Regarding core metrics, underlying services inflation was above expectations led by car repair, snacks, and beauty services, while underlying industrials below expectations, led by furniture and clothing.
- ▶ In the three-month moving average, with seasonally adjusted and annualized data, underlying services inflation moved up to 5.1% (from 4.9%), while underlying industrials moved up to 0.5% (from 0.1%). In the same metric, the average of core inflation measures remained stable at 3.2%.
- ▶ **Our view:** IPCA inflation in May was in line with our expectations, despite a slightly worse-than-expected breakdown, with underlying services accelerating again (albeit staying below the level seen at the start of the year). In particular, labor-intensive services did not improve at the margin. We expect some reacceleration in this group over the course of the year, reflecting a tight labor market.

IPCA - Market-Set and Regulated Prices



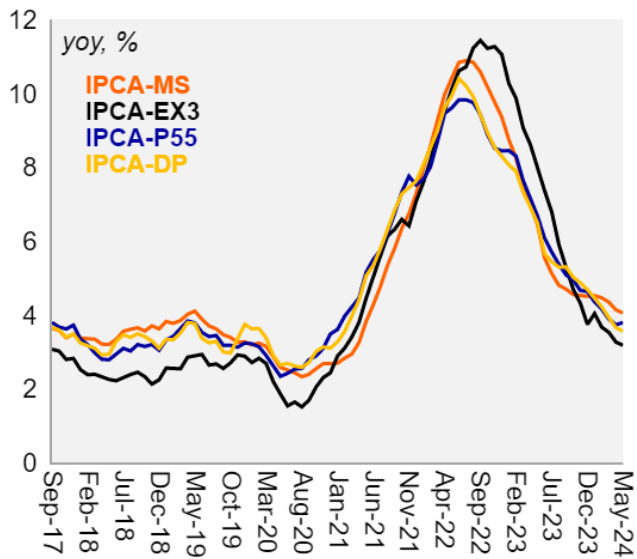
Source: IBGE, Itaú

IPCA - Market-Set Prices



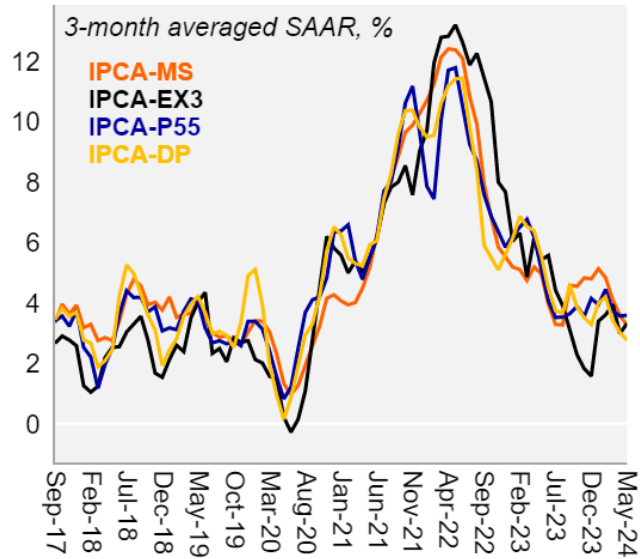
Source: IBGE, Itaú

IPCA - Core



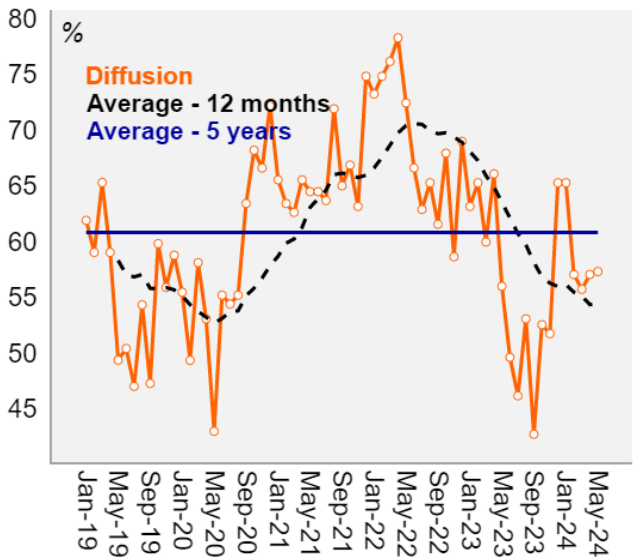
Source: IBGE, Itaú

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



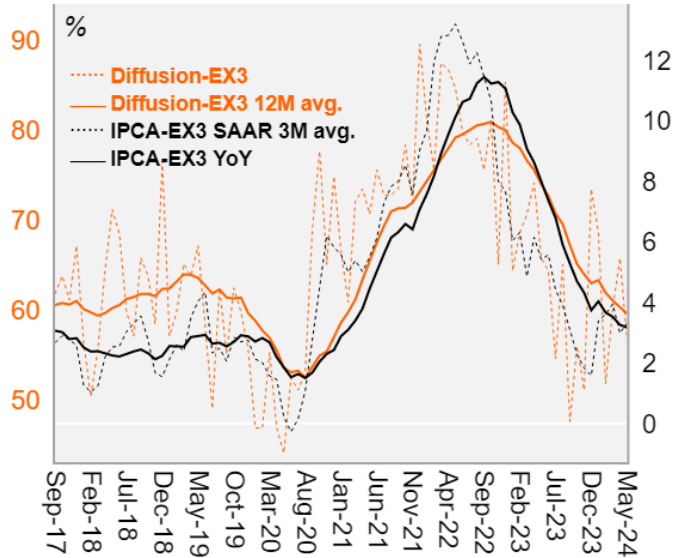
Source: IBGE, Itaú

IPCA - Diffusion Index



Source: IBGE, Itaú

IPCA and diffusion index for EX3 core



Source: IBGE, Itaú

| | Weight | May-2023 | | Apr-2024 | | May-2024 | | Proj. | Δ bps | |
|------------------------------------|------------------------|---------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|-------------|
| | | IPCA-15 | IPCA | IPCA-15 | IPCA | IPCA-15 | IPCA | | | |
| | 100 | Headline | 0.51 | 0.23 | 0.21 | 0.38 | 0.44 | 0.46 | 0.0 | |
| GROUPS | 21 | Food & beverage | 0.94 | 0.16 | 0.61 | 0.70 | 0.26 | 0.62 | 0.44 | 3.9 |
| | 15 | Food at home | 1.02 | 0.00 | 0.74 | 0.81 | 0.22 | 0.66 | 0.43 | 3.6 |
| | 5 | Food out of home | 0.73 | 0.58 | 0.25 | 0.39 | 0.37 | 0.50 | 0.46 | 0.2 |
| | 15 | Housing | 0.43 | 0.67 | 0.07 | -0.01 | 0.25 | 0.67 | 0.55 | 1.8 |
| | 3 | Household articles | -0.28 | -0.23 | 0.03 | -0.26 | -0.44 | -0.53 | -0.16 | -1.4 |
| | 4 | Apparel | 0.35 | 0.47 | 0.41 | 0.55 | 0.66 | 0.50 | 0.56 | -0.3 |
| | 20 | Transportation | -0.04 | -0.57 | -0.49 | 0.14 | 0.77 | 0.44 | 0.61 | -3.5 |
| | 13 | Health and personal care | 1.49 | 0.93 | 0.78 | 1.16 | 1.07 | 0.69 | 0.81 | -1.6 |
| | 10 | Personal spending | 0.40 | 0.64 | 0.40 | 0.10 | 0.18 | 0.22 | 0.21 | 0.1 |
| | 6 | Education | 0.07 | 0.05 | 0.05 | 0.05 | 0.11 | 0.09 | 0.10 | -0.1 |
| 4 | Communication | 0.02 | 0.21 | 0.17 | 0.48 | 0.18 | 0.14 | -0.00 | 0.7 | |
| BREAKDOWN | 25 | Regulated prices | 1.10 | 0.71 | 0.26 | 0.74 | 0.85 | 0.55 | 0.71 | -4.1 |
| | 4 | Residential electricity | 0.51 | 0.91 | -0.07 | -0.46 | 0.17 | 0.94 | 0.80 | 0.6 |
| | 5 | Gasoline | -0.21 | -1.93 | -0.11 | 1.50 | 1.90 | 0.45 | 1.30 | -4.3 |
| | 74 | Market-set prices | 0.31 | 0.07 | 0.20 | 0.26 | 0.30 | 0.42 | 0.37 | 3.7 |
| | 15 | Food at home | 1.02 | 0.00 | 0.74 | 0.81 | 0.22 | 0.66 | 0.43 | 3.6 |
| | 23 | Industrials | 0.38 | 0.30 | 0.07 | 0.21 | 0.29 | 0.29 | 0.37 | -1.8 |
| 35 | Services | -0.06 | -0.06 | 0.04 | 0.05 | 0.34 | 0.40 | 0.34 | 2.1 | |
| CORES AND DIFFUSION | 4 | Underlying food at home | 0.65 | 0.50 | 0.82 | 0.62 | 0.26 | 0.46 | 0.27 | 0.8 |
| | 15 | Underlying industrials | 0.51 | 0.52 | 0.16 | 0.19 | 0.24 | 0.29 | 0.37 | -1.2 |
| | 21 | Underlying services | 0.45 | 0.38 | 0.38 | 0.32 | 0.31 | 0.41 | 0.34 | 1.5 |
| | 58 | IPCA-EX0 | 0.12 | 0.08 | 0.05 | 0.12 | 0.32 | 0.36 | 0.35 | 0.6 |
| | 82 | IPCA-EX1 | 0.45 | 0.45 | 0.18 | 0.23 | 0.36 | 0.42 | 0.40 | 1.6 |
| | 40 | IPCA-EX2 | 0.49 | 0.45 | 0.34 | 0.30 | 0.28 | 0.37 | 0.34 | 1.2 |
| | 36 | IPCA-EX3 | 0.47 | 0.44 | 0.29 | 0.27 | 0.28 | 0.36 | 0.35 | 0.4 |
| | - | IPCA-MS | 0.48 | 0.49 | 0.29 | 0.30 | 0.32 | 0.40 | 0.39 | - |
| | - | IPCA-DP | 0.51 | 0.46 | 0.22 | 0.31 | 0.30 | 0.36 | 0.33 | - |
| | - | IPCA-P55 | 0.50 | 0.39 | 0.10 | 0.34 | 0.34 | 0.45 | - | - |
| - | Diffusion index | 64.31 | 55.97 | 54.22 | 57.03 | 55.31 | 57.29 | - | - | |

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 | May-23 | Feb-24 | Mar-24 | Apr-24 | May-24 |
|--------------------------|--------------|--------------|-------------|-------------|-------------|-------------|
| IPCA (monthly) | 100.0 | 0.23 | 0.83 | 0.16 | 0.38 | 0.46 |
| Regulated prices | 25.9 | 0.71 | 0.88 | 0.25 | 0.74 | 0.55 |
| Market-set prices | 74.1 | 0.07 | 0.80 | 0.13 | 0.26 | 0.42 |
| Food at home | 15.6 | 0.00 | 1.12 | 0.59 | 0.81 | 0.66 |
| Industrials | 23.1 | 0.30 | 0.21 | -0.12 | 0.21 | 0.29 |
| Services | 35.3 | -0.06 | 1.06 | 0.10 | 0.05 | 0.40 |
| IPCA (12-month) | 100.0 | 3.94 | 4.50 | 3.93 | 3.69 | 3.93 |
| Regulated prices | 26.0 | -0.91 | 8.59 | 6.39 | 6.26 | 6.09 |
| Market-set prices | 74.0 | 5.68 | 3.13 | 3.10 | 2.82 | 3.19 |
| Food at home | 16.0 | 4.65 | 1.77 | 2.51 | 2.59 | 3.27 |
| Industrials | 23.0 | 5.17 | 0.94 | 0.56 | 0.37 | 0.36 |
| Services | 35.0 | 6.51 | 5.25 | 5.09 | 4.60 | 5.09 |
| Core* (monthly) | | | | | | |
| IPCA-EX0 | 58.0 | 0.08 | 0.72 | 0.01 | 0.12 | 0.36 |
| IPCA-EX3 | 37.0 | 0.44 | 0.27 | 0.22 | 0.27 | 0.36 |
| IPCA-MS | - | 0.49 | 0.42 | 0.24 | 0.30 | 0.40 |
| IPCA-DP | - | 0.46 | 0.53 | 0.16 | 0.31 | 0.36 |
| IPCA-P55 | - | 0.39 | 0.52 | 0.15 | 0.34 | 0.45 |
| Average** | - | 0.37 | 0.49 | 0.16 | 0.27 | 0.39 |
| Core* (12-month) | | | | | | |
| IPCA-EX0 | 58.0 | 5.96 | 3.50 | 3.25 | 2.89 | 3.17 |
| IPCA-EX3 | 37.0 | 7.98 | 3.67 | 3.53 | 3.26 | 3.17 |
| IPCA-MS | - | 6.45 | 4.46 | 4.35 | 4.14 | 4.05 |
| IPCA-DP | - | 6.50 | 4.22 | 3.92 | 3.66 | 3.56 |
| IPCA-P55 | - | 6.69 | 4.16 | 3.89 | 3.73 | 3.79 |
| Média núcleos** | - | 6.72 | 4.00 | 3.79 | 3.54 | 3.55 |
| Difusão*** | | | | | | |
| Diffusion index | - | 55.97 | 57.03 | 55.7 | 57.03 | 57.29 |

* 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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