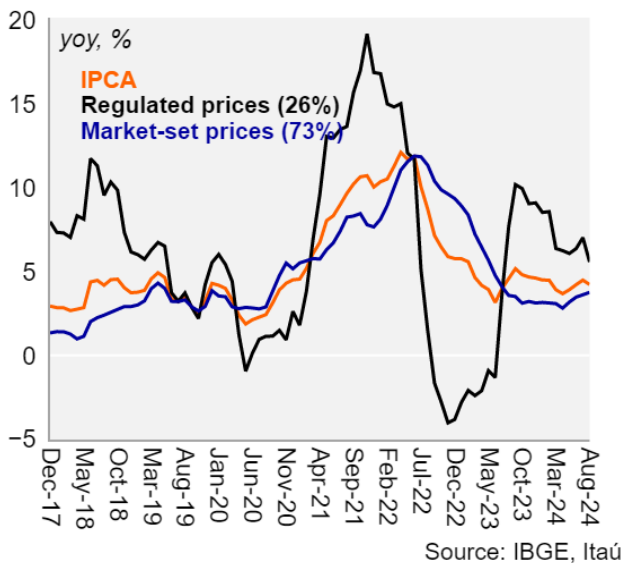


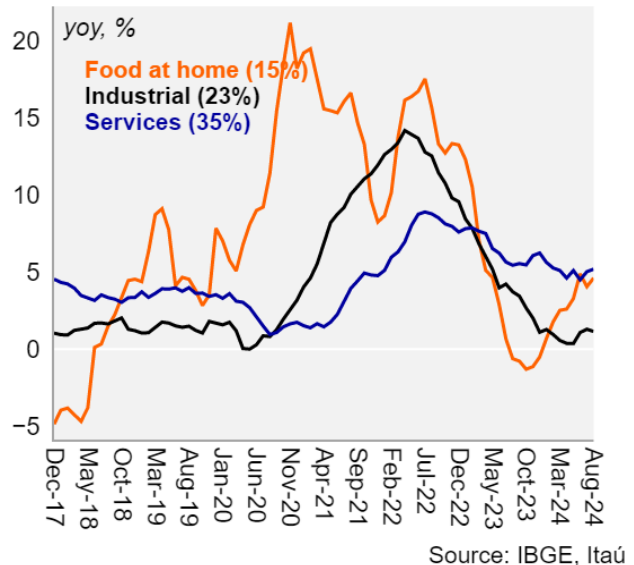
IPCA declined 0.02% in August, better than expected

- ▶ August IPCA came in at -0.02%, below both our call (+0.03%) and market forecast (+0.01%). In 12 months, IPCA rose 4.2%, from 4.5% in July.
- ▶ Compared to our forecast, we highlight the lower-than-expected prints in gasoline and personal care. Food at home, on the other hand, came in above our forecast. Regarding core metrics, both underlying services and industrials inflation were below our estimate.
- ▶ In the three-month moving average, with seasonally adjusted and annualized data, underlying services inflation decelerated to 5.6% (from 6.2%), while underlying industrials moved up to 2.5% (from 2.3%). In the same metric, the average of core inflation measures receded to 4.7% (from 4.8%).
- ▶ **Our view:** August IPCA came in below our expectations and with a better-than-expected breakdown, especially due to the downward surprise in underlying services. Going forward, we still expect some pressure on underlying services, which will likely end the year with an annual increase of around 5.5%.

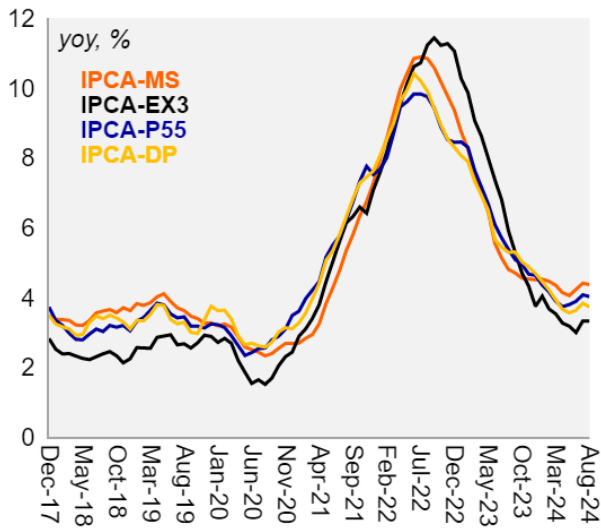
IPCA - Market-Set and Regulated Prices



IPCA - Market-Set Prices

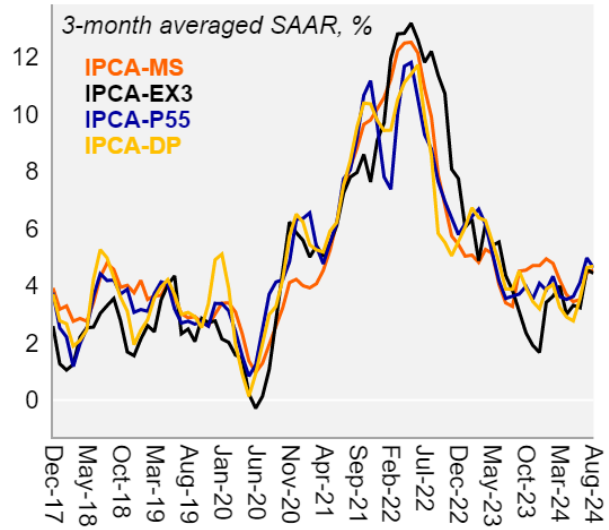


IPCA - Core



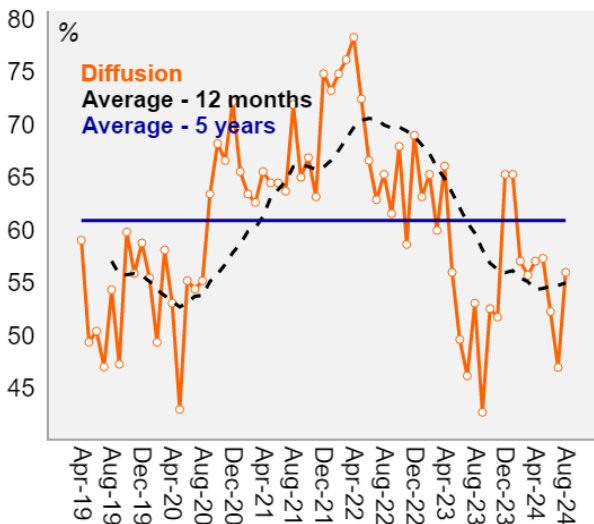
Source: IBGE, Itaú

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



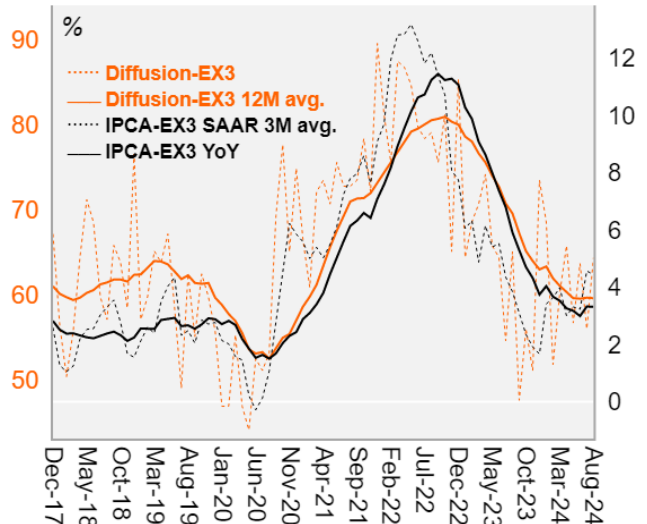
Source: IBGE, Itaú

IPCA - Diffusion Index



Source: IBGE, Itaú

IPCA and diffusion index for EX3 core



Source: IBGE, Itaú

	Weight	Aug-2023		Jul-2024		Aug-2024		Proj.	Δ bps	
		IPCA-15	IPCA	IPCA-15	IPCA	IPCA-15	IPCA			
	100	Headline	0.28	0.23	0.30	0.38	0.19	-0.02	0.03	-5.0
GROUPS	21	Food & beverage	-0.65	-0.85	-0.44	-1.00	-0.80	-0.44	-0.47	0.6
	15	Food at home	-0.99	-1.26	-0.70	-1.51	-1.30	-0.73	-0.82	1.4
	5	Food out of home	0.22	0.22	0.25	0.39	0.49	0.33	0.46	-0.8
	15	Housing	1.08	1.11	0.49	0.77	0.18	-0.51	-0.51	0.0
	3	Household articles	0.01	-0.04	0.24	0.48	0.71	0.74	0.69	0.2
	4	Apparel	-0.03	0.54	-0.08	-0.02	0.09	0.39	0.20	0.9
	20	Transportation	0.23	0.34	1.12	1.82	0.83	0.00	0.24	-5.0
	13	Health and personal care	0.81	0.58	0.33	0.22	0.27	0.25	0.36	-1.5
	10	Personal spending	0.60	0.38	0.32	0.52	0.43	0.25	0.28	-0.3
	6	Education	0.71	0.69	0.06	0.08	0.75	0.73	0.74	-0.1
4	Communication	0.04	-0.09	0.09	0.18	0.09	0.10	0.09	0.0	
BREAKDOWN	26	Regulated prices	1.02	1.26	0.54	1.08	0.81	-0.12	-0.02	-2.6
	4	Residential electricity	4.59	4.59	1.20	1.93	-0.42	-2.77	-2.90	0.5
	5	Gasoline	0.90	1.24	1.43	3.15	3.33	0.67	1.20	-2.8
	73	Market-set prices	0.03	-0.12	0.21	0.14	-0.03	0.02	0.05	-2.3
	15	Food at home	-0.99	-1.26	-0.70	-1.51	-1.30	-0.73	-0.82	1.4
	23	Industrials	0.55	0.32	0.08	0.33	0.33	0.18	0.31	-3.0
35	Services	0.13	0.08	0.70	0.75	0.29	0.24	0.27	-1.0	
CORES AND DIFFUSION	4	Underlying food at home	-0.31	-0.38	0.35	0.49	0.49	0.37	0.47	-0.4
	15	Underlying industrials	0.42	0.39	0.07	0.11	0.12	0.19	0.24	-0.8
	21	Underlying services	0.27	0.14	0.58	0.63	0.39	0.28	0.35	-1.4
	58	IPCA-EX0	0.30	0.18	0.46	0.59	0.31	0.22	0.28	-3.7
	82	IPCA-EX1	0.49	0.45	0.42	0.52	0.21	0.07	0.10	-2.7
	40	IPCA-EX2	0.27	0.18	0.36	0.42	0.30	0.25	0.32	-2.7
	36	IPCA-EX3	0.34	0.25	0.36	0.41	0.28	0.24	0.30	-2.1
	-	IPCA-MS	0.30	0.33	0.35	0.39	0.29	0.30	0.24	-
	-	IPCA-DP	0.37	0.29	0.30	0.40	0.27	0.19	0.17	-
	-	IPCA-P55	0.39	0.34	0.23	0.36	0.28	0.29	-	-
-	Diffusion index	50.95	53.05	51.23	46.95	53.13	55.97	-	-	

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	Aug-23	May-24	Jun-24	Jul-24	Aug-24
IPCA (monthly)	100.0	0.23	0.46	0.21	0.38	-0.02
Regulated prices	26.2	1.26	0.55	0.33	1.08	-0.12
Market-set prices	73.8	-0.12	0.42	0.16	0.14	0.02
Food at home	15.4	-1.26	0.66	0.47	-1.51	-0.73
Industrials	23.0	0.32	0.29	0.13	0.33	0.18
Services	35.4	0.08	0.40	0.04	0.75	0.24
IPCA (12-month)	100.0	4.61	3.93	4.23	4.50	4.24
Regulated prices	26.0	7.68	6.09	6.38	7.04	5.58
Market-set prices	74.0	3.58	3.19	3.48	3.62	3.77
Food at home	15.0	-0.62	3.27	4.88	4.04	4.60
Industrials	23.0	3.71	0.36	1.07	1.29	1.14
Services	35.0	5.43	5.09	4.48	5.01	5.18
Core* (monthly)						
IPCA-EX0	58.0	0.18	0.36	0.08	0.59	0.22
IPCA-EX3	37.0	0.25	0.36	0.26	0.41	0.24
IPCA-MS	-	0.33	0.40	0.28	0.39	0.30
IPCA-DP	-	0.29	0.36	0.20	0.40	0.19
IPCA-P55	-	0.34	0.45	0.30	0.36	0.29
Average**	-	0.28	0.39	0.22	0.43	0.25
Core* (12-month)						
IPCA-EX0	58.0	4.73	3.17	3.11	3.51	3.55
IPCA-EX3	37.0	5.91	3.17	2.99	3.32	3.32
IPCA-MS	-	4.80	4.05	4.23	4.41	4.37
IPCA-DP	-	5.30	3.56	3.63	3.83	3.73
IPCA-P55	-	5.38	3.79	3.89	4.07	4.02
Média núcleos**	-	5.22	3.55	3.57	3.83	3.80
Difusão***						
Diffusion index	-	53.05	57.29	52.25	46.95	55.97

* 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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