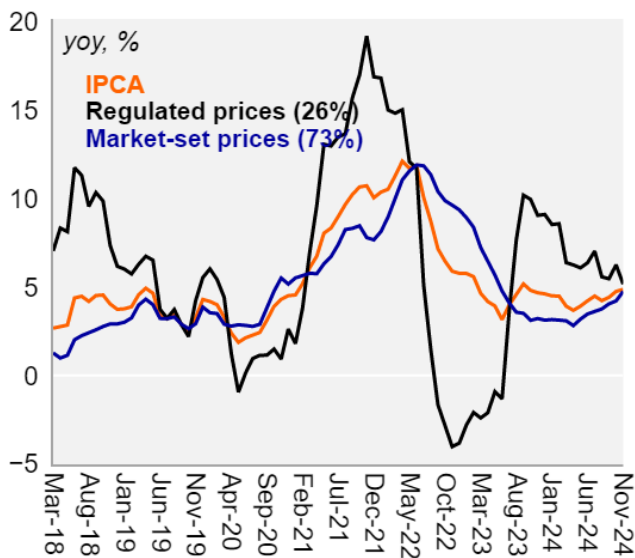


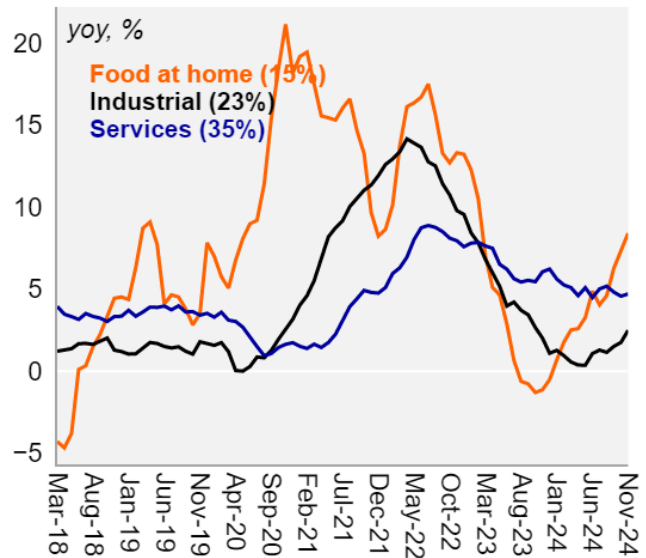
IPCA moved up 0.39% in November

- ▶ November IPCA came in at 0.39%, in line with our call (0.39%) and close to market forecast (0.38%). In 12 months, the IPCA rose 4.9%, versus 4.8% in October.
- ▶ Compared to our forecast, we highlight the higher-than-expected print in food out of home and lower-than-expected print in pharmaceutical products. Regarding core metrics, underlying services inflation was above expectations led by food out of home, while underlying industrials were in line with our estimates.
- ▶ In the three-month moving average, with seasonally adjusted and annualized data, underlying services inflation moved up to 6.5% (from 5.3%), while underlying industrials moved up to 3.7% (from 2.4%). In the same metric, the average of core inflation measures increased to 5.3% (from 4.3%).
- ▶ **Our view:** November's IPCA was in line with our expectations, but with a worse than expected composition, with highlight on the upward surprise in underlying services (food away from home and beauty services) offset by downward surprises seen in items that are not part of the core inflation (food at home and regulated). Going forward, we expect the services component to remain under pressure, reflecting the tight labor market.

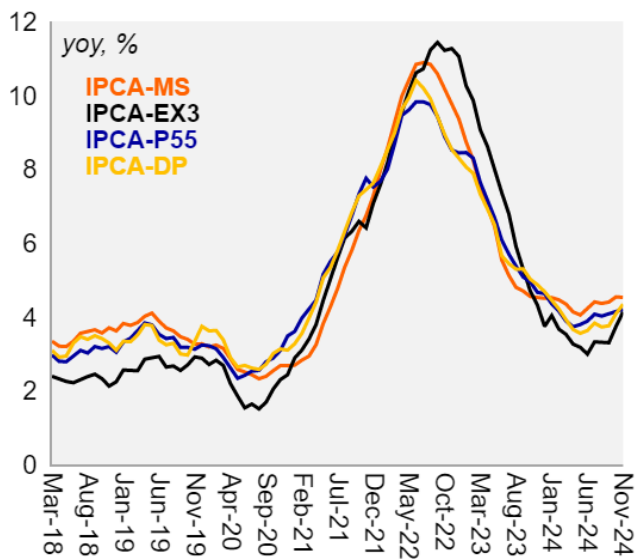
IPCA - Market-Set and Regulated Prices



IPCA - Market-Set Prices

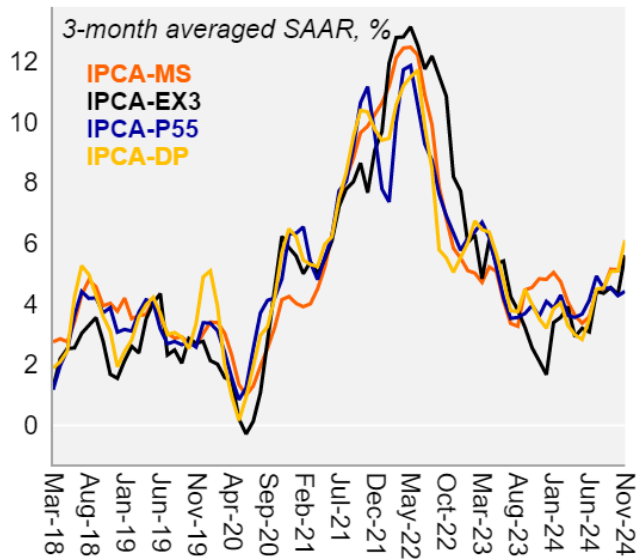


IPCA - Core



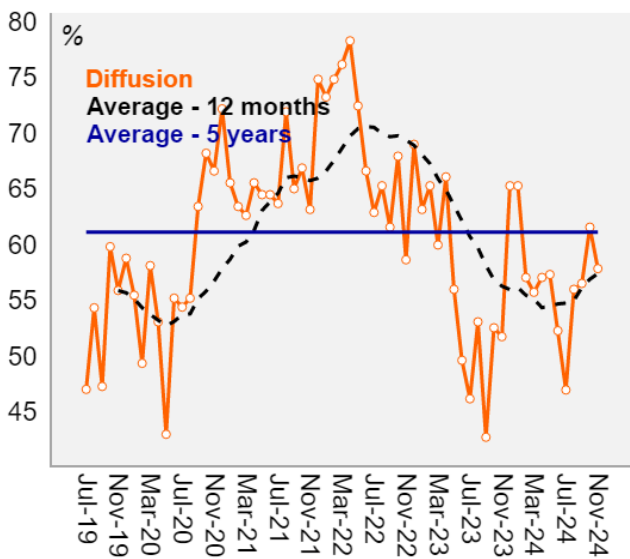
Source: IBGE, Itaú

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



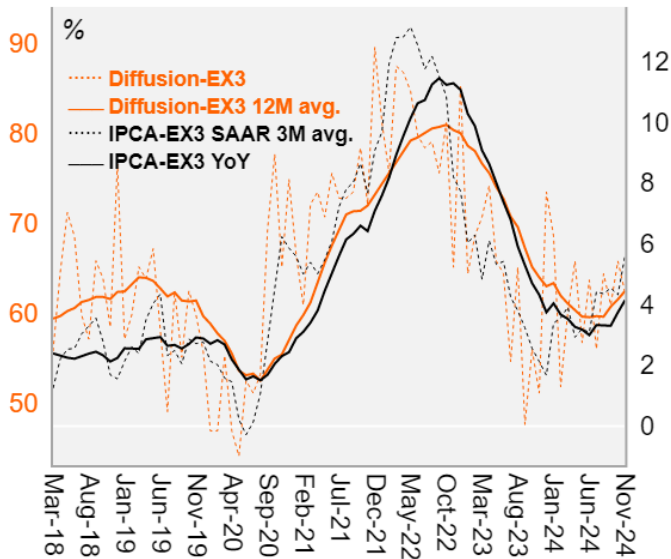
Source: IBGE, Itaú

IPCA - Diffusion Index



Source: IBGE, Itaú

IPCA and diffusion index for EX3 core



Source: IBGE, Itaú

	Weight	Nov-2023		Oct-2024		Nov-2024		Proj.	Δ bps	
		IPCA-15	IPCA	IPCA-15	IPCA	IPCA-15	IPCA			
	100	Headline	0.33	0.28	0.54	0.56	0.62	0.39	0.0	
GROUPS	21	Food & beverage	0.82	0.63	0.87	1.06	1.34	1.55	1.53	0.4
	15	Food at home	1.06	0.75	0.95	1.22	1.65	1.81	1.93	-1.8
	5	Food out of home	0.22	0.32	0.66	0.65	0.57	0.88	0.48	2.4
	15	Housing	0.20	0.48	1.72	1.49	0.22	-1.53	-1.63	1.5
	3	Household articles	0.24	-0.42	0.41	0.43	0.11	-0.31	-0.59	1.0
	4	Apparel	0.55	-0.35	0.43	0.37	0.36	-0.12	0.12	-1.1
	20	Transportation	0.18	0.27	-0.33	-0.38	0.82	0.89	1.02	-2.7
	13	Health and personal care	0.08	0.08	0.49	0.38	0.18	-0.06	0.03	-1.2
	10	Personal spending	0.52	0.58	0.35	0.70	0.83	1.43	1.27	1.6
	6	Education	0.03	0.02	0.05	0.04	-0.01	-0.04	-0.01	-0.2
4	Communication	-0.22	-0.50	0.40	0.52	0.11	-0.10	-0.06	-0.2	
BREAKDOWN	26	Regulated prices	-0.10	0.16	0.91	0.71	0.19	-0.87	-0.77	-2.6
	4	Residential electricity	0.42	1.07	5.29	4.74	0.13	-6.27	-6.50	1.0
	5	Gasoline	-2.25	-1.69	0.00	-0.13	0.07	-0.16	0.17	-1.7
	73	Market-set prices	0.48	0.31	0.41	0.50	0.77	0.84	0.81	1.9
	15	Food at home	1.06	0.75	0.95	1.22	1.65	1.81	1.93	-1.8
	22	Industrials	-0.15	-0.54	0.26	0.26	0.27	0.18	0.19	-0.2
35	Services	0.65	0.70	0.27	0.35	0.72	0.83	0.72	4.0	
CORES AND DIFFUSION	4	Underlying food at home	0.21	-0.17	0.88	0.66	0.53	0.83	0.57	1.1
	15	Underlying industrials	-0.10	-0.58	0.46	0.34	0.14	-0.14	-0.19	0.7
	21	Underlying services	0.22	0.27	0.59	0.76	0.45	0.60	0.42	3.8
	58	IPCA-EX0	0.34	0.20	0.26	0.31	0.55	0.58	0.51	3.9
	82	IPCA-EX1	0.38	0.30	0.50	0.49	0.47	0.18	0.13	4.4
	40	IPCA-EX2	0.09	-0.11	0.57	0.59	0.34	0.34	0.21	5.4
	36	IPCA-EX3	0.08	-0.10	0.54	0.58	0.32	0.29	0.17	4.2
	-	IPCA-MS	0.42	0.37	0.42	0.45	0.39	0.35	0.34	-
	-	IPCA-DP	0.26	0.20	0.48	0.54	0.47	0.44	0.40	-
	-	IPCA-P55	0.23	0.23	0.43	0.33	0.30	0.29	-	-
-	Diffusion index	54.77	51.72	58.31	61.54	57.49	57.82	-	-	

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	Nov-23	Aug-24	Sep-24	Oct-24	Nov-24
IPCA (monthly)	100.0	0.28	-0.02	0.44	0.56	0.39
Regulated prices	26.3	0.16	-0.12	1.00	0.71	-0.87
Market-set prices	73.7	0.31	0.02	0.24	0.50	0.84
Food at home	15.4	0.75	-0.73	0.56	1.22	1.81
Industrials	22.9	-0.54	0.18	0.16	0.26	0.18
Services	35.3	0.70	0.24	0.15	0.35	0.83
IPCA (12-month)	100.0	4.68	4.24	4.42	4.76	4.87
Regulated prices	26.0	9.06	5.58	5.47	6.26	5.17
Market-set prices	74.0	3.23	3.77	4.05	4.22	4.76
Food at home	15.0	-1.14	4.60	6.27	7.28	8.41
Industrials	23.0	2.01	1.14	1.51	1.75	2.49
Services	35.0	6.05	5.18	4.82	4.57	4.71
Core* (monthly)						
IPCA-EX0	58.0	0.20	0.22	0.16	0.31	0.58
IPCA-EX3	37.0	-0.10	0.24	0.10	0.58	0.29
IPCA-MS	-	0.37	0.30	0.33	0.45	0.35
IPCA-DP	-	0.20	0.19	0.25	0.54	0.44
IPCA-P55	-	0.23	0.29	0.28	0.33	0.29
Average**	-	0.18	0.25	0.22	0.44	0.39
Core* (12-month)						
IPCA-EX0	58.0	4.41	3.55	3.49	3.44	3.83
IPCA-EX3	37.0	4.32	3.32	3.30	3.74	4.14
IPCA-MS	-	4.53	4.37	4.40	4.54	4.53
IPCA-DP	-	4.87	3.73	3.76	4.09	4.34
IPCA-P55	-	4.67	4.02	4.08	4.15	4.21
Média núcleos**	-	4.56	3.80	3.81	3.99	4.21
Difusão***						
Diffusion index	-	51.72	55.97	56.5	61.54	57.82

* 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

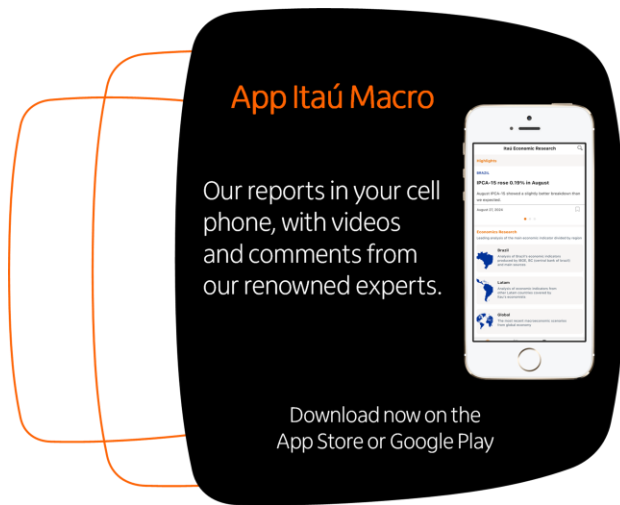
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