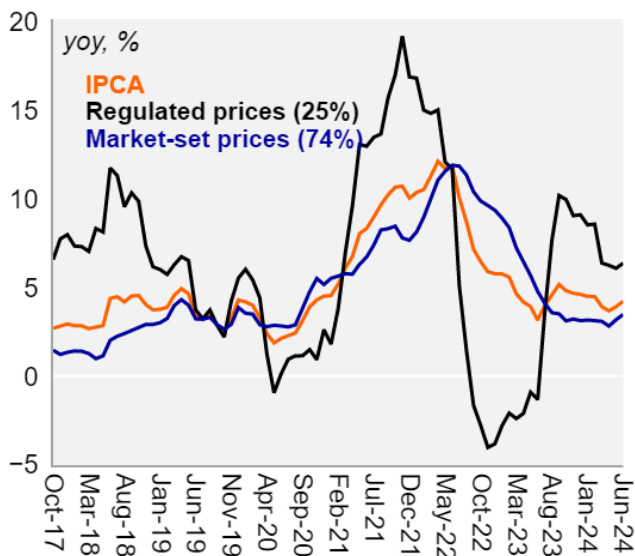


IPCA moved up 0.21% in June, below expectations

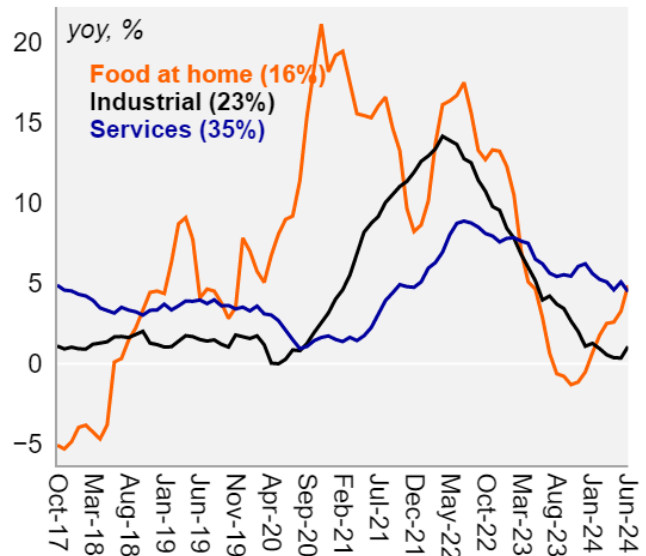
- ▶ The June's IPCA came in at 0.21%, below both our call (0.27%) and market consensus (0.30%). In 12 months, the IPCA rose 4.2%, versus 3.9% in May.
- ▶ Compared to our forecast, we highlight the lower-than-expected prints in food at home (milk and meat) and industrials (new vehicle and shoes). Gasoline, on the other hand, came in above our forecast. Regarding core metrics, both underlying services (driven by auto repair) and underlying industrials (driven by apparel) came in below expectations.
- ▶ In the three-month moving average, with seasonally adjusted and annualized data, underlying services inflation decelerated to 4.4% (from 5.0%), while underlying industrials moved up to 1.7% (from 0.6%). In the same metric, the average of core inflation measures accelerated to 3.4% (from 3.3%).
- ▶ **Our view:** the June's IPCA came in below our call and with a benign composition, especially due to the slowdown in underlying services (to the lowest level recorded this year) and labor-related-services. Going forward, we expect some reacceleration in services inflation reflecting the tight labor market outlook, as well as an acceleration in industrial prices amid a more depreciated exchange rate.

IPCA - Market-Set and Regulated Prices



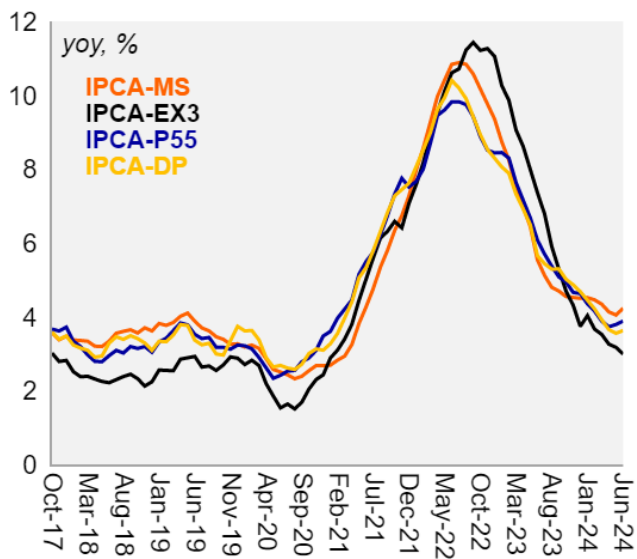
Source: IBGE, Itaú

IPCA - Market-Set Prices



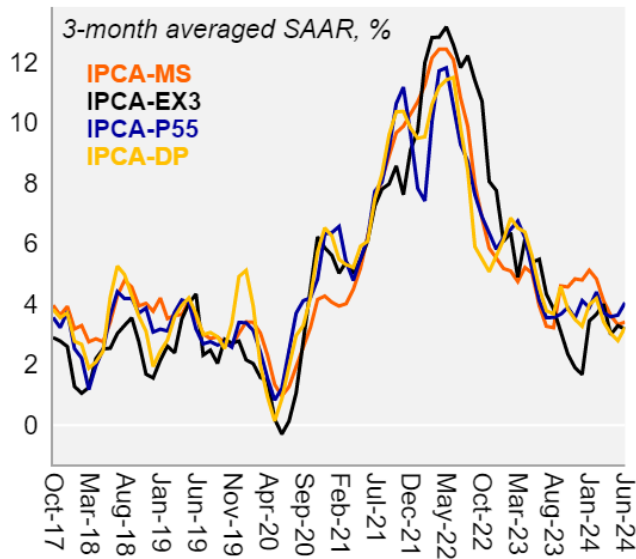
Source: IBGE, Itaú

IPCA - Core



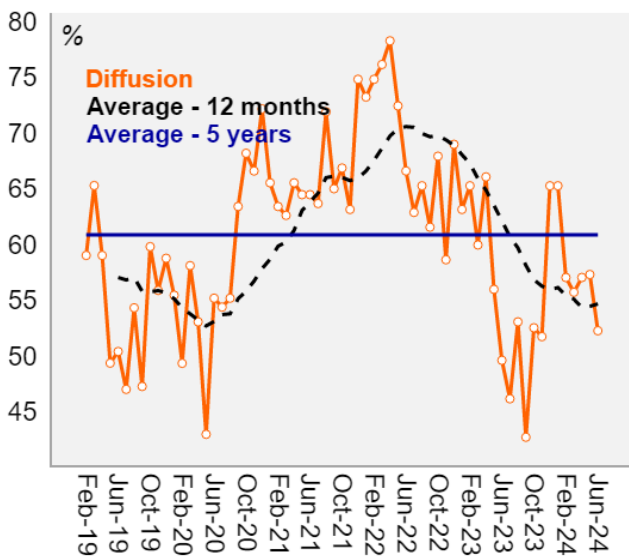
Source: IBGE, Itaú

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



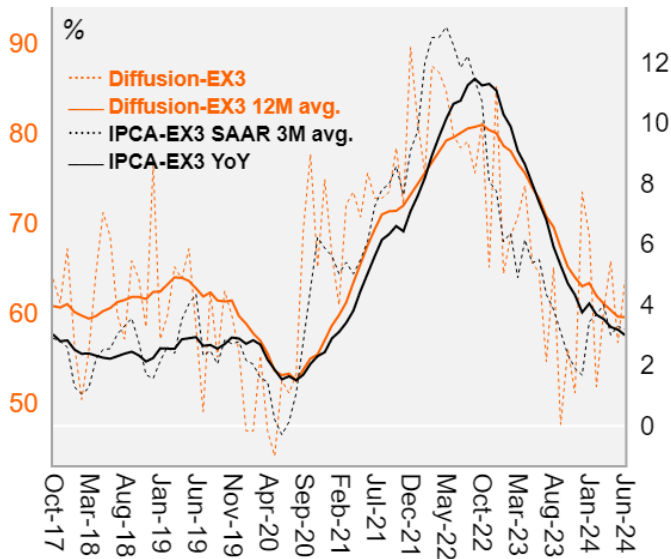
Source: IBGE, Itaú

IPCA - Diffusion Index



Source: IBGE, Itaú

IPCA and diffusion index for EX3 core



Source: IBGE, Itaú

Weight		Jun-2023		May-2024		Jun-2024		Forec.	Δ bps
		IPCA-15	IPCA	IPCA-15	IPCA	IPCA-15	IPCA		
100	Headline	0.04	-0.08	0.44	0.46	0.39	0.21	0.27	-6.0
GROUPS	21 Food & beverage	-0.51	-0.66	0.26	0.62	0.98	0.44	0.70	-5.6
	15 Food at home	-0.81	-1.07	0.22	0.66	1.13	0.47	0.77	-4.7
	5 Food out of home	0.29	0.46	0.37	0.50	0.59	0.37	0.49	-0.7
	15 Housing	0.96	0.69	0.25	0.67	0.63	0.25	0.33	-1.2
	3 Household articles	-0.01	-0.42	-0.44	-0.53	-0.01	0.19	0.19	0.0
	4 Apparel	0.79	0.35	0.66	0.50	0.30	0.02	0.16	-0.7
	20 Transportation	-0.55	-0.41	0.77	0.44	-0.23	-0.19	-0.18	-0.2
	13 Health and personal care	0.19	0.11	1.07	0.69	0.57	0.54	0.46	1.1
	10 Personal spending	0.52	0.36	0.18	0.22	0.25	0.29	0.25	0.4
	6 Education	0.04	0.06	0.11	0.09	0.05	0.06	0.05	0.1
4 Communication	0.11	-0.14	0.18	0.14	0.17	-0.08	0.03	-0.5	
BREAKDOWN	26 Regulated prices	-0.03	0.06	0.85	0.55	0.40	0.33	0.25	2.0
	4 Residential electricity	1.45	1.43	0.17	0.94	0.79	0.30	0.30	0.0
	5 Gasoline	-3.40	-1.14	1.90	0.45	-0.13	0.64	0.00	3.3
	74 Market-set prices	0.07	-0.12	0.30	0.42	0.38	0.16	0.28	-8.7
	15 Food at home	-0.81	-1.07	0.22	0.66	1.13	0.47	0.77	-4.7
	23 Industrials	-0.08	-0.58	0.29	0.29	0.31	0.13	0.24	-2.4
35 Services	0.56	0.62	0.34	0.40	0.10	0.04	0.08	-1.3	
CORES AND DIFFUSION	4 Underlying food at home	0.29	-0.01	0.26	0.46	0.43	0.30	0.58	-1.2
	15 Underlying industrials	0.35	0.14	0.24	0.29	0.29	0.13	0.21	-1.3
	21 Underlying services	0.56	0.67	0.31	0.41	0.40	0.36	0.41	-1.1
	58 IPCA-EX0	0.31	0.14	0.32	0.36	0.18	0.08	0.14	-3.5
	82 IPCA-EX1	0.55	0.31	0.36	0.42	0.30	0.15	0.22	-5.3
	40 IPCA-EX2	0.45	0.39	0.28	0.37	0.36	0.26	0.35	-3.5
	36 IPCA-EX3	0.47	0.44	0.28	0.36	0.35	0.26	0.32	-2.2
	- IPCA-MS	0.27	0.11	0.32	0.40	0.41	0.28	0.37	-
	- IPCA-DP	0.39	0.13	0.30	0.36	0.37	0.20	0.31	-
	- IPCA-P55	0.30	0.21	0.34	0.45	0.37	0.30	-	-
- Diffusion index	50.68	49.60	55.31	57.29	56.95	52.25	-	-	

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	Jun-23	Mar-24	Apr-24	May-24	Jun-24
IPCA (monthly)	100.0	-0.08	0.16	0.38	0.46	0.21
Regulated prices	26.0	0.06	0.25	0.74	0.55	0.33
Market-set prices	74.0	-0.12	0.13	0.26	0.42	0.16
Food at home	15.7	-1.07	0.59	0.81	0.66	0.47
Industrials	23.0	-0.58	-0.12	0.21	0.29	0.13
Services	35.3	0.62	0.10	0.05	0.40	0.04
IPCA (12-month)	100.0	3.16	3.93	3.69	3.93	4.23
Regulated prices	26.0	-1.32	6.39	6.26	6.09	6.38
Market-set prices	74.0	4.78	3.10	2.82	3.19	3.48
Food at home	16.0	2.88	2.51	2.59	3.27	4.88
Industrials	23.0	3.97	0.56	0.37	0.36	1.07
Services	35.0	6.21	5.09	4.60	5.09	4.48
Core* (monthly)						
IPCA-EX0	58.0	0.14	0.01	0.12	0.36	0.08
IPCA-EX3	37.0	0.44	0.22	0.27	0.36	0.26
IPCA-MS	-	0.11	0.24	0.30	0.40	0.28
IPCA-DP	-	0.13	0.16	0.31	0.36	0.20
IPCA-P55	-	0.21	0.15	0.34	0.45	0.30
Average**	-	0.21	0.16	0.27	0.39	0.22
Core* (12-month)						
IPCA-EX0	58.0	5.30	3.25	2.89	3.17	3.11
IPCA-EX3	37.0	7.37	3.53	3.26	3.17	2.99
IPCA-MS	-	5.54	4.35	4.14	4.05	4.23
IPCA-DP	-	5.66	3.92	3.66	3.56	3.63
IPCA-P55	-	6.08	3.89	3.73	3.79	3.89
Média núcleos**	-	5.99	3.79	3.54	3.55	3.57
Difusão***						
Diffusion index	-	49.6	55.7	57.03	57.29	52.25

* 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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