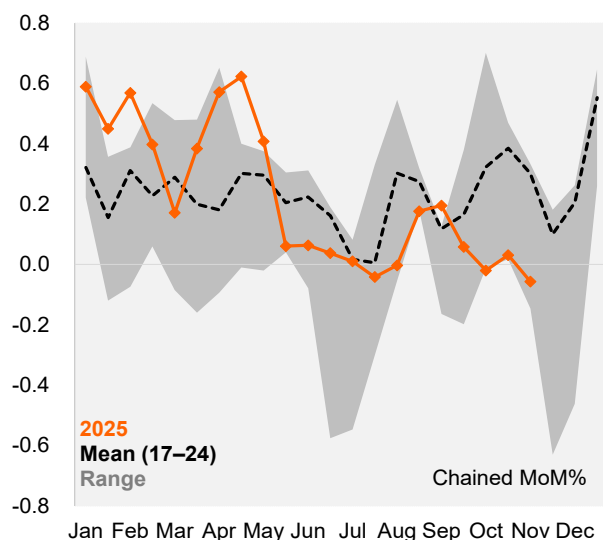


Price pass-through in the industrial sector

- ▶ Industrial goods prices in the IPCA have shown a benign trajectory throughout the second half of the year, with a notable highlight being the deflation in durable goods. In parallel, the core of the IPA (Broad Producer Price Index) for industrial products has also decelerated and recently started to record negative variations in the latest releases.
- ▶ The pass-through from the industrial IPA to IPCA goods has occurred more quickly and slightly more intensely than the historical pattern. This behavior, combined with weakening demand for credit-sensitive goods and high inventories in the manufacturing sector, suggests that the recent decline in industrial goods prices in the IPCA is supported by macroeconomic fundamentals and is likely to persist.
- ▶ Given the expectation of cooling economic activity and further deceleration in the Broad Producer Price Index, we project disinflation in goods for 2026.

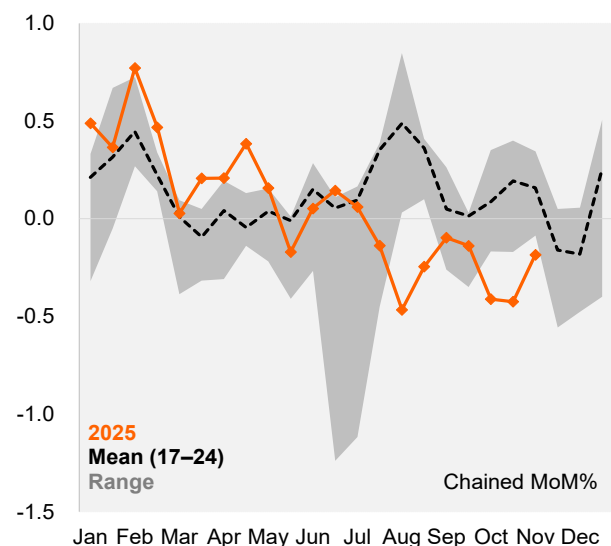
Recent inflation readings, particularly throughout the second half of the year, have revealed a qualitatively benign picture in the industrial segment, with a notable emphasis on durable goods (Charts 1 and 2). The first negative print in July largely reflected the reduction of the IPI tax on new automobiles. However, the process did not end there. Since then, widespread price declines have been observed across various items, especially mobile phones and electronic appliances.

Chart 1: Decline in industrial goods starting in the second half...



Source: IBGE, Itaú

Chart 2: ... with emphasis on durable goods



Source: IBGE, Itaú

¹ Items within the industrial IPA more closely linked to final consumer goods, excluding food and fuels.

In parallel, the core of the industrial IPA¹ has also shown marginal deceleration, entering negative territory as of September, something not seen since mid-2024. This movement was strongly driven by groups linked to durable consumer goods, such as household appliances and mobile phones (Table 1).

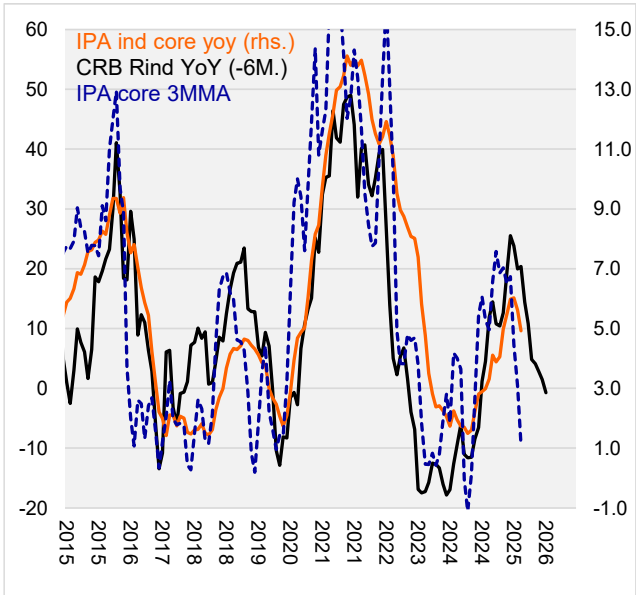
Table 1: Decline in the core of industrial IPA for items related to durable consumer goods

IPA	Weight	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Jun-Oct
Industrial Products	73.41	-2.31	0.76	-0.06	-0.25	0.07	-1.80
Home appliances	0.37						
Metal-dominant furniture	0.07						
Motorcycle parts and accessories	0.10						
Bed, table and bath linens	0.07						
Mobile phones	0.62						
Leather goods, travel items and footwear	0.52						
omputer equipment, electronic and optical products	1.69						
Televisions	0.28						
Motor vehicle parts and accessories	1.72						
Motorcycles	0.33						
Apparel	0.60						
Furniture	0.47						

Source: FGV, Itaú

This trend in the IPA was mainly propelled by falling prices of metal commodities in BRL, largely due to the currency appreciation observed throughout the year. Chart 3 shows the correlation between the core of the industrial IPA and commodity prices in BRL with a six-month lag, suggesting that the deceleration in the Broad Producer Price Index should persist over the coming quarters.

Chart 3: Decline in metal commodity prices in BRL drove the slowdown in the core of industrial IPA



Source: FGV, Bloomberg, Itaú

Historically, the full pass-through from the core of the industrial IPA to consumer goods inflation occurs within two quarters. To assess whether the contemporaneous pass-through coefficient has changed recently, we estimated a rolling-window regression with the following specification:

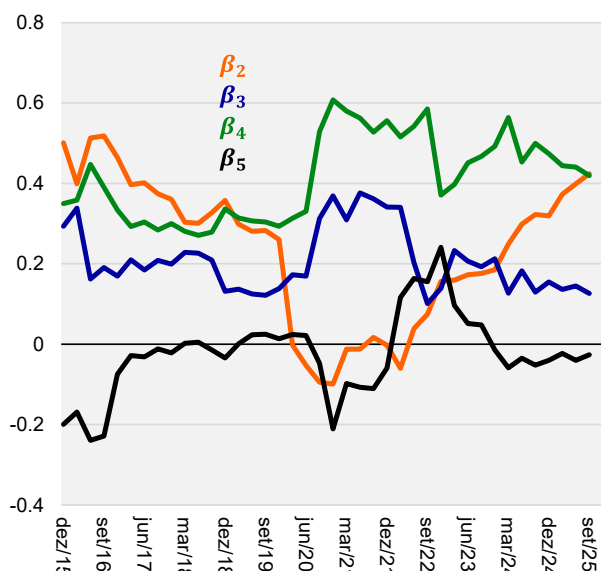
$$\pi_t^{ind} = \beta_1 + \beta_2 IPA_t + \beta_3 IPA_{t-1} + \beta_4 IPA_{t-2} + \beta_5 IPA_{t-3} + \epsilon$$

Where π_t^{ind} is the quarterly inflation of industrial goods and IPA is the quarterly variation in the core of the industrial IPA.

The results indicate that, in the pre-pandemic period, full pass-through occurred within two quarters, with an almost uniform distribution across quarters (i.e., roughly one-third contemporaneous effect, one-third with a one-quarter lag, and one-third with a two-quarter lag, Chart 4). During the pandemic, the contemporaneous component was practically nullified, reflecting supply bottlenecks and global cost volatility.

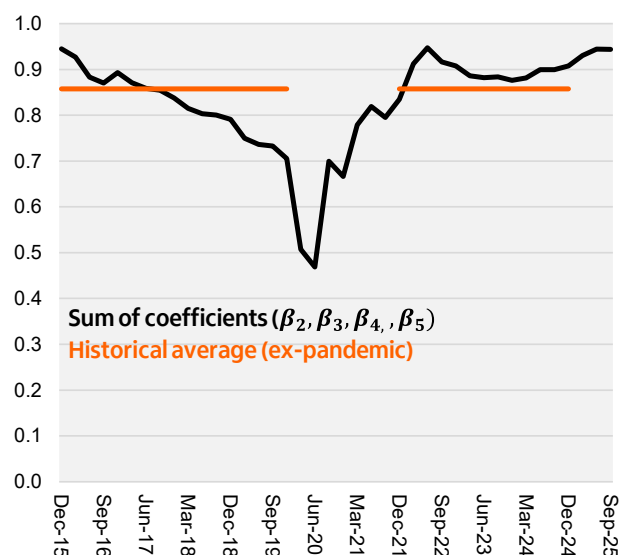
In the most recent period, however, this component regained importance, accounting for nearly half of the total pass-through. Beyond the change in speed, there is also a slight increase in intensity, indicating that transmission to consumer prices is happening faster and somewhat stronger (Chart 5).

Chart 4: Contemporaneous component regaining importance



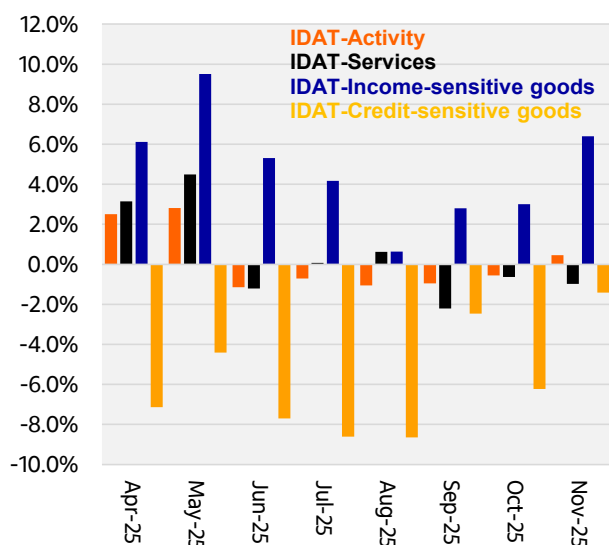
Source: Itaú

Chart 5: Total pass-through largely unchanged

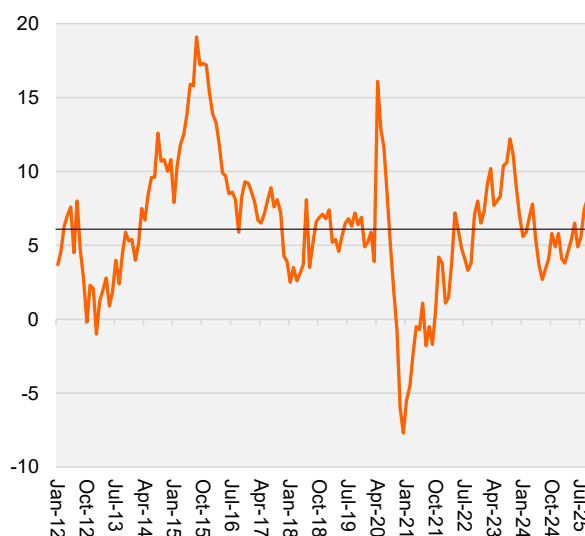


Source: IBGE, Itaú

Alongside faster wholesale price pass-through, we observe weakening demand for credit-sensitive goods (typically durable goods, Chart 6) and manufacturing inventories running above historical averages (Chart 7). These factors, which are naturally correlated, reinforce the assessment that the recent decline in industrial goods prices in the IPCA does not represent a temporary movement, but rather an adjustment supported by macroeconomic fundamentals, particularly lower producer prices, elevated inventories, and softer domestic demand, and is likely to persist.

Chart 6: Demand for durable goods (more credit-sensitive) slowing more than overall consumption

Source: Itaú

Chart 7: Inventories at elevated levels

Source: FGV, Itaú

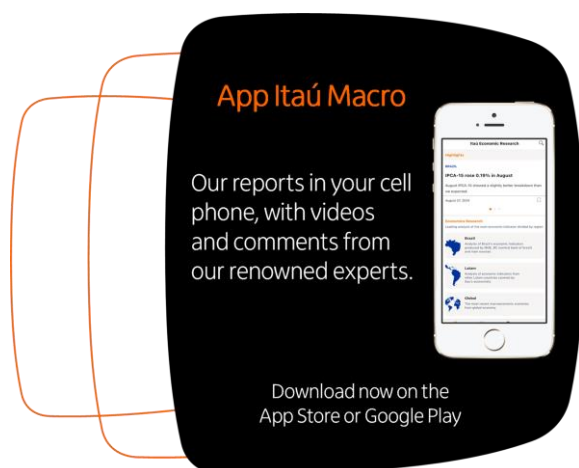
Given the expectation of slower economic activity, with GDP growth projected at 1.7% in 2026 versus 2.2% in 2025, and further deceleration in the core of the industrial IPA, combined with faster pass-through to consumer prices, IPCA is expected to remain within the target tolerance band. We project a 4.2% variation for the headline index in 2026, compared to 4.5% in 2025, with a downward bias for industrial goods inflation (we expect a 1.4% increase versus 2.4% in 2025).

Luciana Rabelo

Macro Research – Itaú

Mario Mesquita – Chief Economist

To access our reports and forecast visit our website:

<https://www.itaubba.com.br/itaubba-pt/macroeconomic-analysis>


Relevant Information

1. This report has been prepared and released by the Macro Research Department of Itaú Unibanco S.A. ("Itaú Unibanco"). This report is not a product of the Equity Research Department of Itaú Unibanco or Itaú Corretora de Valores S.A. and shall not be construed as a research report ("relatório de análise") for the purposes of Article 1 of the CVM Instruction NR. 20, dated 2021.
2. The exclusive purpose of this report is to provide macroeconomics information and it does not constitute and shall not be construed as an offer to buy or sell or a solicitation of an offer to buy or sell any financial product, or to participate in any particular trading strategy in any jurisdiction. The information herein is believed to be reliable as of the date on which this report was released and it has been obtained from public sources believed to be reliable. However, Itaú Unibanco does not make any explicit or implied representation or warranty as to the completeness, reliability or accuracy of such information, nor does this report intend to be a complete statement or summary of the markets or developments referred to herein. Itaú Unibanco has no obligation whatsoever to update, modify or amend this report and inform the reader accordingly.
3. The opinions contained herein reflect exclusively the personal views of the analyst responsible for this report and were prepared independently and autonomously, including in relation to Itaú Unibanco, Itaú Corretora de Valores S.A. and any other companies within their economic group.
4. This report may not be reproduced or redistributed to any other person, in whole or in part, for any purpose, without the prior written consent of Itaú Unibanco. Additional information on the financial products mentioned in this report may be available upon request. Itaú Unibanco and/or any other company within its economic group is not and shall not be liable for any investment decisions (or otherwise) based on the information provided herein.
5. This report may include sections generated with the support of artificial intelligence tools. All content has been reviewed and validated by the authors to ensure the accuracy and integrity of the information presented.

Additional Note: This material does not take into consideration the objectives, financial situation or specific needs of any particular client. Clients must obtain financial, tax, legal, accounting, economic, credit and market advice on an individual basis, based on their personal characteristics and objectives, prior to making any decision based on the information contained herein. By accessing the material, you represent and confirm that you understand the risks related to the financial instruments described in this material and the laws in your jurisdiction relating to the provision and sale of financial service products. You acknowledge that this material contains proprietary information and you agree to keep this information confidential for your exclusive use.

SAC Itaú: For inquiries, suggestions, complaints, criticisms and compliments, talk to Itaú's CSCC: 0800 728 0728. Or contact us through our portal <https://www.itaubr.com.br/atendimento-itaubr/para-voce/>. If you are not satisfied with the proposed solution, please contact the Itaú Corporate Ombudsman: 0800 570 0011 (on weekdays from 9 AM to 6 PM) or our PO Box 67.600, São Paulo-SP, Zip Code 03162-971. Hearing impaired, every day, 24h, 0800 722 1722.