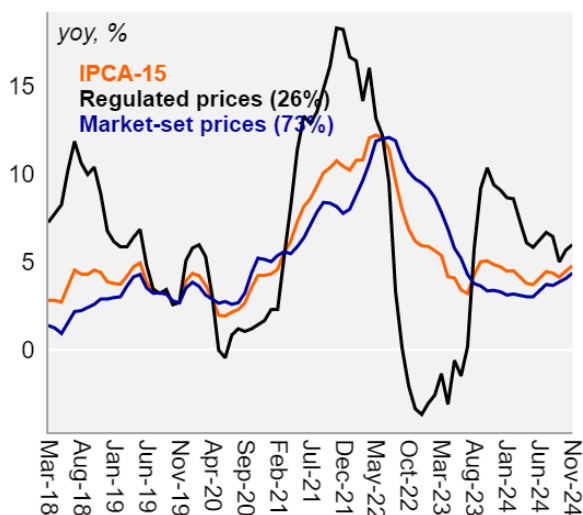


IPCA-15 moved up 0.62% in November, driven by volatile items

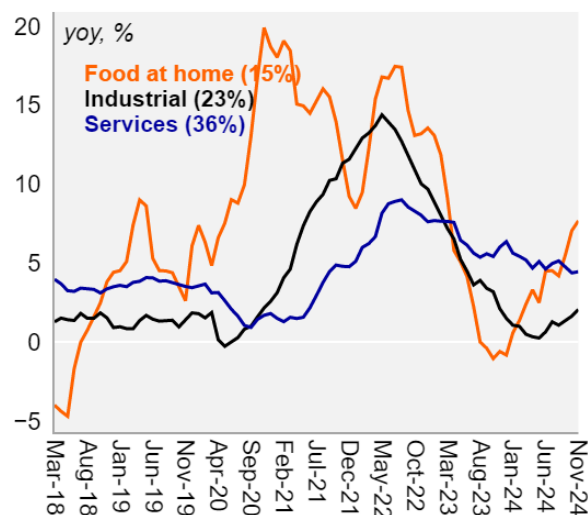
- ▶ November IPCA-15 came in at 0.62%, above both our call (0.57%) and market forecast (0.50%). In 12 months, IPCA-15 rose 4.8%, versus 4.5% in October.
- ▶ Looking at the breakdown, the main upward surprise came from more volatile items that are not part of the core inflation, such as airline tickets and tour packages. On the other hand, the food at home item came in below expectations. Regarding core metrics, underlying services came in below expectations, led by food out of home, while underlying industrials were in line with our estimates.
- ▶ Items that repeat the IPCA-15 variation at the IPCA report (airfares, courses, rent and condominium fees, labor, domestic workers, among others) were 12 bps above our forecast.
- ▶ In the three-month moving average, with seasonally adjusted and annualized data, underlying services inflation moved up to 5.7% (from 5.1%), while underlying industrials was stable at 2.9%. In the same metric, the average of core inflation measures increased to 4.6% (from 4.4%).
- ▶ **Our view:** November's IPCA-15 came in above our expectation and the market consensus, with an upward surprise mainly in airline tickets, which is an item that is not part of the core inflation. As in the last readings, the qualitative aspect of inflation continued to worsen at the margin (although a bit less than expected), with an acceleration in underlying services. Underlying industrials also remained at a higher level than observed in the first half of the year, due to the more depreciated exchange rate.

IPCA-15 - Market-set and regulated prices



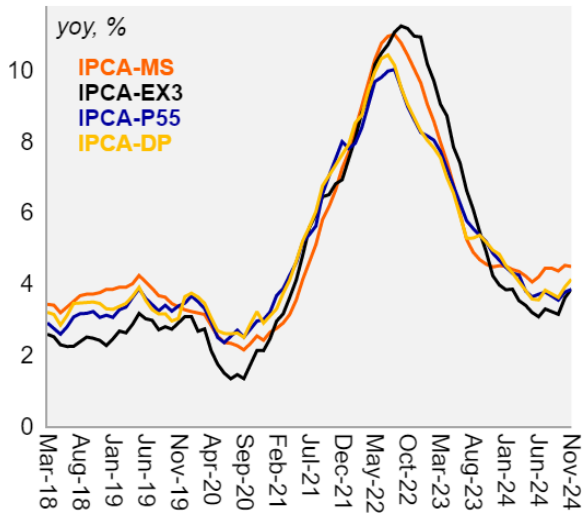
Source: IBGE, Itaú

IPCA-15 - Market-set prices



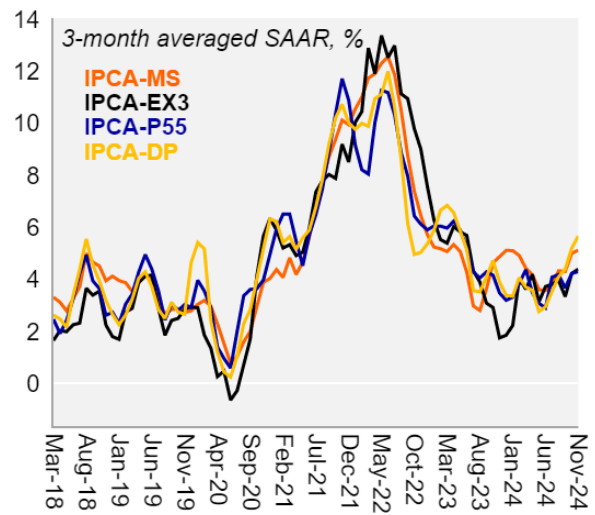
Source: IBGE, Itaú

IPCA-15 - Core



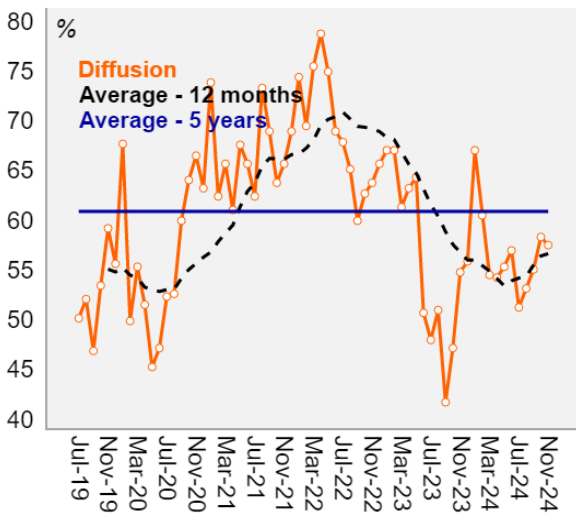
Source: IBGE, Itaú

IPCA-15



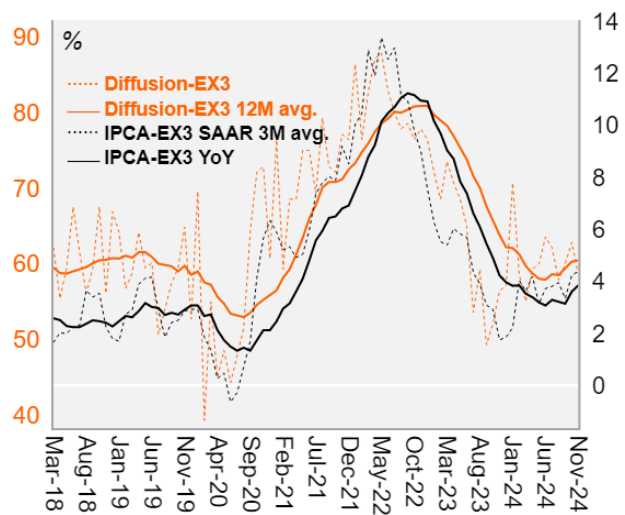
Source: IBGE, Itaú

IPCA-15 - Diffusion index



Source: IBGE, Itaú

IPCA-15 and diffusion index for EX3 core



Source: IBGE, Itaú

			Nov-2023		Oct-2024		Nov-2024	Proj.	Δ
Weight			IPCA-15	IPCA	IPCA-15	IPCA	IPCA-15		bps
	100	Headline	0.33	0.28	0.54	0.56	0.62	0.57	5.0
GROUPS	21	Food & beverage	0.82	0.63	0.87	1.06	1.34	1.47	-2.8
	15	Food at home	1.06	0.75	0.95	1.22	1.65	1.79	-2.1
	6	Food out of home	0.22	0.32	0.66	0.65	0.57	0.65	-0.5
	15	Housing	0.20	0.48	1.72	1.49	0.22	0.21	0.2
	3	Household articles	0.24	-0.42	0.41	0.43	0.11	0.24	-0.5
	4	Apparel	0.55	-0.35	0.43	0.37	0.36	0.25	0.5
	20	Transportation	0.18	0.27	-0.33	-0.38	0.82	0.37	9.2
	13	Health and personal care	0.08	0.08	0.49	0.38	0.18	0.25	-0.9
	10	Personal spending	0.52	0.58	0.35	0.70	0.83	0.92	-0.9
	6	Education	0.03	0.02	0.05	0.04	-0.01	0.02	-0.2
4	Communication	-0.22	-0.50	0.40	0.52	0.11	0.08	0.1	
BREAKDOWN	26	Regulated prices	-0.10	0.16	0.91	0.71	0.19	0.19	-0.1
	4	Residential electricity	0.42	1.07	5.29	4.74	0.13	0.12	0.0
	5	Gasoline	-2.25	-1.69	0.00	-0.13	0.07	0.10	-0.2
	73	Market-set prices	0.48	0.31	0.41	0.50	0.77	0.71	4.8
	15	Food at home	1.06	0.75	0.95	1.22	1.65	1.79	-2.1
	22	Industrials	-0.15	-0.54	0.26	0.26	0.27	0.29	-0.5
35	Services	0.65	0.70	0.27	0.35	0.72	0.52	7.2	
CORES AND DIFFUSION	4	Underlying food at home	0.21	-0.17	0.88	0.66	0.53	0.77	-1.0
	15	Underlying industrials	-0.10	-0.58	0.46	0.34	0.14	0.17	-0.5
	21	Underlying services	0.22	0.27	0.59	0.76	0.45	0.50	-1.2
	58	IPCA-EX0	0.34	0.20	0.26	0.31	0.55	0.43	6.8
	82	IPCA-EX1	0.38	0.30	0.50	0.49	0.47	0.41	4.6
	40	IPCA-EX2	0.09	-0.11	0.57	0.59	0.34	0.41	-2.9
	36	IPCA-EX3	0.08	-0.10	0.54	0.58	0.32	0.37	-1.9
	-	IPCA-MS	0.42	0.37	0.42	0.45	0.39	0.39	-
	-	IPCA-DP	0.26	0.20	0.48	0.54	0.47	0.49	-
	-	IPCA-P55	0.23	0.23	0.43	0.33	0.30	-	-
-	Diffusion index	54.77	51.72	58.31	61.54	57.49	-	-	

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-15 (monthly)	100.0	0.33	0.19	0.13	0.54	0.62
Regulated prices	26.2	-0.10	0.81	0.16	0.91	0.19
Market-set prices	73.8	0.48	-0.03	0.12	0.41	0.77
Food at home	15.3	1.06	-1.30	-0.01	0.95	1.65
Industrials	22.8	-0.15	0.33	0.13	0.26	0.27
Services	35.7	0.65	0.29	0.17	0.27	0.72
IPCA-15 (12-month)	100.0	4.84	4.35	4.12	4.47	4.77
Regulated prices	26.0	9.37	6.43	4.99	5.66	5.97
Market-set prices	74.0	3.37	3.65	3.83	4.05	4.35
Food at home	15.0	-0.60	4.19	5.49	7.05	7.68
Industrials	23.0	2.11	1.06	1.36	1.63	2.06
Services	36.0	6.01	5.13	4.76	4.37	4.45
Core* (monthly)						
IPCA-EX0	58.0	0.34	0.31	0.15	0.26	0.55
IPCA-EX3	37.0	0.08	0.28	0.07	0.54	0.32
IPCA-MS	-	0.42	0.29	0.27	0.42	0.39
IPCA-DP	-	0.26	0.27	0.16	0.48	0.47
IPCA-P55	-	0.23	0.28	0.22	0.43	0.30
Average**	-	0.27	0.29	0.17	0.43	0.41
Core* (12-month)						
IPCA-EX0	58.0	4.44	3.51	3.41	3.29	3.51
IPCA-EX3	37.0	4.22	3.22	3.14	3.60	3.85
IPCA-MS	-	4.47	4.43	4.35	4.51	4.48
IPCA-DP	-	4.94	3.71	3.61	3.90	4.12
IPCA-P55	-	4.85	3.65	3.54	3.76	3.84
Average**	-	4.58	3.70	3.61	3.81	3.96
Diffusion***						
Diffusion index	-	54.77	53.13	55.04	58.31	57.49

* 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

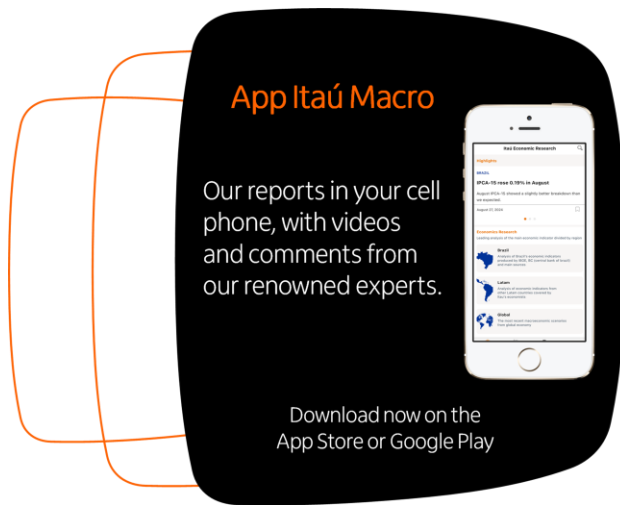
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