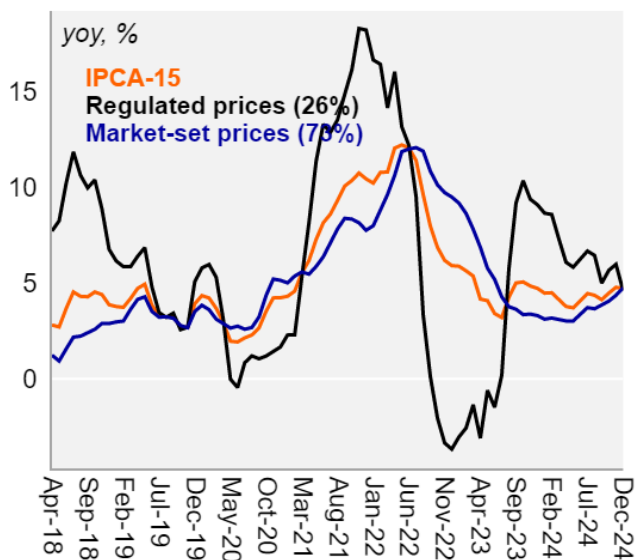


December 27, 2024

IPCA-15 moved up 0.34% in December

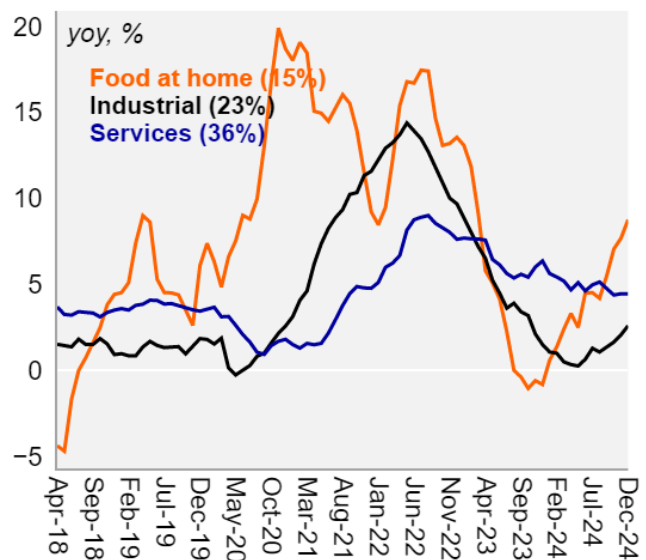
- ▶ December IPCA-15 came in at 0.34%, below both our call (0.48%) and market forecast (0.46%). In 12 months, IPCA-15 rose 4.7%, versus 4.8% in November.
- ▶ Compared to our forecast, we highlight the lower-than-expected prints in air ticket and food at home. Smoking, on the other hand, came in above our forecast. Regarding core metrics, underlying services inflation was above expectations led by movie tickets and food away 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 14 bps below our forecast.
- ▶ In the three-month moving average, with seasonally adjusted and annualized data, underlying services inflation moved up to 8.5% (from 5.7%), while underlying industrials moved up to 3.0% (from 2.9%). In the same metric, the average of core inflation measures increased to 5.4% (from 4.6%).
- ▶ **Our view:** The December IPCA-15 came in below our expectations and the market consensus, with a downside surprise in airfare, possibly with some payback of the higher result in the November reading. Despite this surprise, the qualitative result continued to worsen at the margin (more than expected), with acceleration in underlying services, reflecting higher-than-expected increases in food away from home and movie tickets, in addition to the groups most closely linked to economic activity that continued at a high level.

IPCA-15 - Market-set and regulated prices



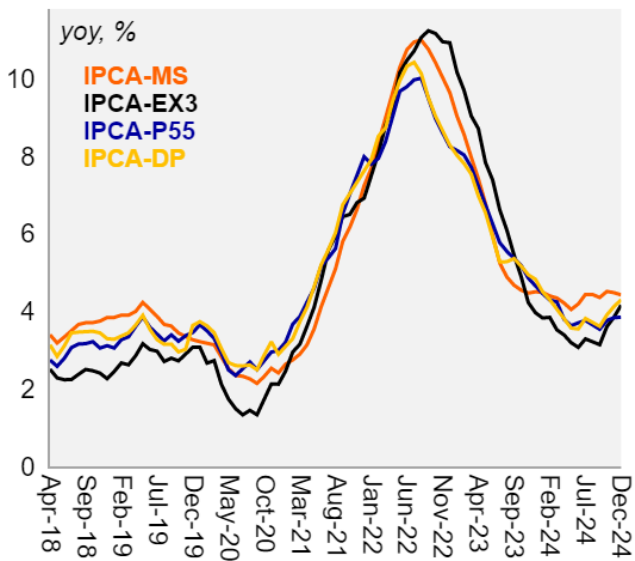
Source: IBGE, Itaú

IPCA-15 - Market-set prices



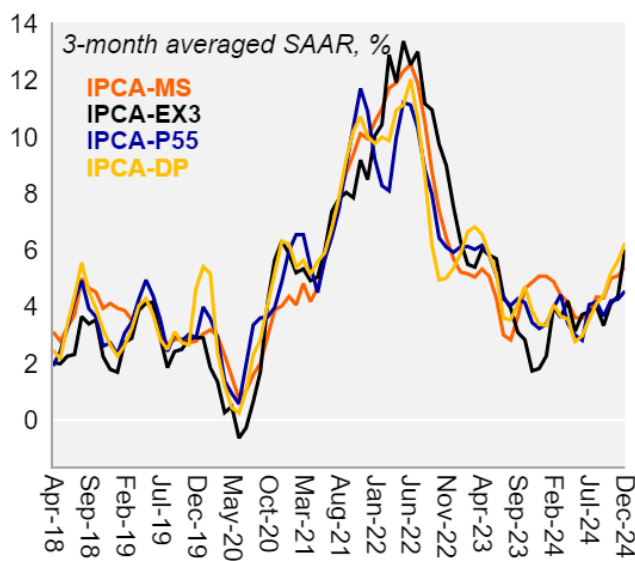
Source: IBGE, Itaú

IPCA-15 - Core



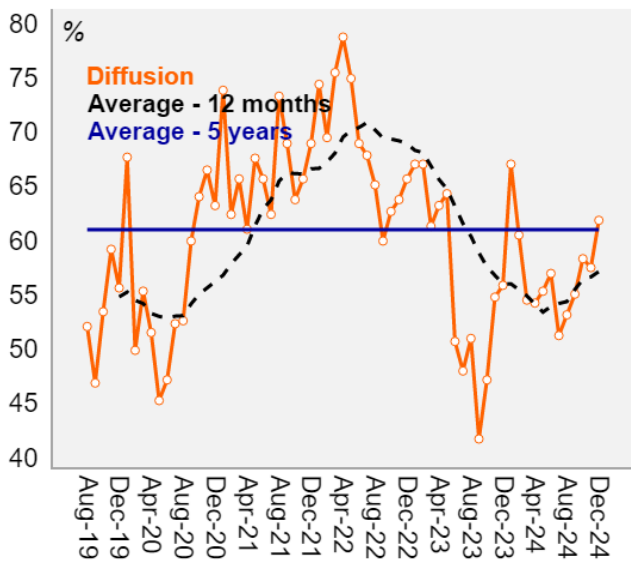
Source: IBGE, Itaú

IPCA-15



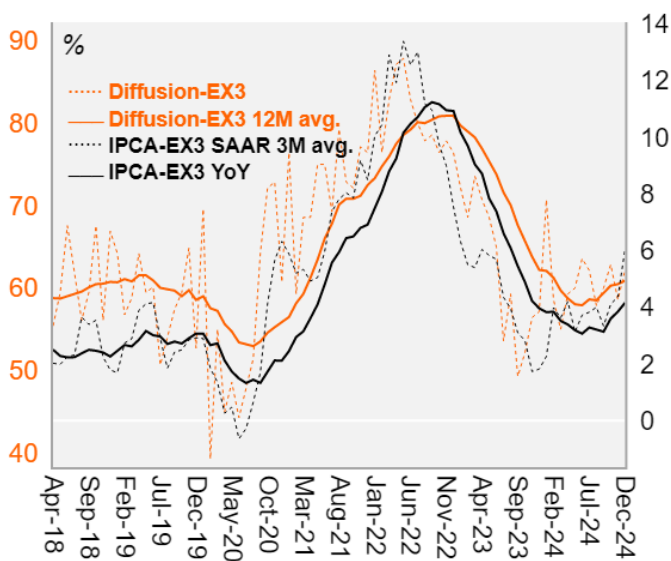
Source: IBGE, Itaú

IPCA-15 - Diffusion index



Source: IBGE, Itaú

IPCA-15 and diffusion index for EX3 core



Source: IBGE, Itaú

Weight		Dec-2023		Nov-2024		Dec-2024	Proj.	Δ	
		IPCA-15	IPCA	IPCA-15	IPCA	IPCA-15		bps	
100	Headline	0.40	0.56	0.62	0.39	0.34	0.48	-14.0	
GROUPS	21	Food & beverage	0.54	1.11	1.34	1.55	1.47	1.59	-2.6
	15	Food at home	0.55	1.34	1.65	1.81	1.56	1.78	-3.4
	6	Food out of home	0.53	0.53	0.57	0.88	1.23	1.10	0.8
	15	Housing	0.48	0.34	0.22	-1.53	-1.32	-1.31	-0.2
	3	Household articles	-0.15	0.76	0.11	-0.31	-0.52	-0.49	-0.1
	4	Apparel	0.03	0.70	0.36	-0.12	0.34	-0.02	1.7
	20	Transportation	0.77	0.48	0.82	0.89	0.46	1.15	-14.1
	13	Health and personal care	0.14	0.35	0.18	-0.06	-0.05	0.03	-1.1
	10	Personal spending	0.56	0.48	0.83	1.43	1.36	1.26	1.0
	6	Education	0.05	0.24	-0.01	-0.04	0.00	0.00	0.0
	4	Communication	-0.46	0.04	0.11	-0.10	0.08	-0.19	1.3
BREAKDOWN	26	Regulated prices	0.56	0.31	0.19	-0.87	-0.74	-0.74	-0.0
	4	Residential electricity	0.82	0.54	0.13	-6.27	-5.72	-6.00	1.2
	5	Gasoline	-0.24	-0.34	0.07	-0.16	-0.01	0.05	-0.3
	73	Market-set prices	0.34	0.65	0.77	0.84	0.72	0.91	-14.1
	15	Food at home	0.55	1.34	1.65	1.81	1.56	1.78	-3.4
	22	Industrials	-0.26	0.28	0.27	0.18	0.26	0.14	2.8
35	Services	0.65	0.60	0.72	0.83	0.64	1.02	-13.4	
CORES AND DIFFUSION	4	Underlying food at home	-0.21	0.02	0.53	0.83	0.97	1.11	-0.6
	15	Underlying industrials	-0.28	0.41	0.14	-0.14	-0.01	-0.00	-0.1
	21	Underlying services	0.39	0.51	0.45	0.60	0.71	0.60	2.3
	58	IPCA-EX0	0.29	0.47	0.55	0.58	0.50	0.68	-10.8
	82	IPCA-EX1	0.39	0.48	0.47	0.18	0.16	0.29	-10.3
	40	IPCA-EX2	0.08	0.42	0.34	0.34	0.47	0.43	1.5
	36	IPCA-EX3	0.11	0.47	0.32	0.29	0.41	0.35	2.1
	-	IPCA-MS	0.42	0.47	0.39	0.35	0.37	0.39	-
	-	IPCA-DP	0.31	0.43	0.47	0.44	0.48	0.49	-
	-	IPCA-P55	0.29	0.42	0.30	0.29	0.30	-	-
-	Diffusion index	55.86	65.25	57.49	57.82	61.85	-	-	

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	Dec-23	Sep-24	Oct-24	Nov-24	Dec-24
IPCA-15 (monthly)	100.0	0.40	0.13	0.54	0.62	0.34
Regulated prices	26.1	0.56	0.16	0.91	0.19	-0.74
Market-set prices	73.9	0.34	0.12	0.41	0.77	0.72
Food at home	15.5	0.55	-0.01	0.95	1.65	1.56
Industrials	22.7	-0.26	0.13	0.26	0.27	0.26
Services	35.7	0.65	0.17	0.27	0.72	0.64
IPCA-15 (12-month)	100.0	4.72	4.12	4.47	4.77	4.71
Regulated prices	26.0	9.08	4.99	5.66	5.97	4.59
Market-set prices	74.0	3.29	3.83	4.05	4.35	4.74
Food at home	15.0	-0.83	5.49	7.05	7.68	8.76
Industrials	23.0	1.50	1.36	1.63	2.06	2.59
Services	36.0	6.36	4.76	4.37	4.45	4.44
Core* (monthly)						
IPCA-EX0	58.0	0.29	0.15	0.26	0.55	0.50
IPCA-EX3	36.0	0.11	0.07	0.54	0.32	0.41
IPCA-MS	-	0.42	0.27	0.42	0.39	0.37
IPCA-DP	-	0.31	0.16	0.48	0.47	0.48
IPCA-P55	-	0.29	0.22	0.43	0.30	0.30
Average**	-	0.28	0.17	0.43	0.41	0.41
Core* (12-month)						
IPCA-EX0	58.0	4.40	3.41	3.29	3.51	3.72
IPCA-EX3	36.0	3.96	3.14	3.60	3.85	4.16
IPCA-MS	-	4.50	4.35	4.51	4.48	4.42
IPCA-DP	-	4.82	3.61	3.90	4.12	4.30
IPCA-P55	-	4.64	3.54	3.76	3.84	3.85
Average**	-	4.46	3.61	3.81	3.96	4.09
Diffusion***						
Diffusion index	-	55.86	55.04	58.31	57.49	61.85

* 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

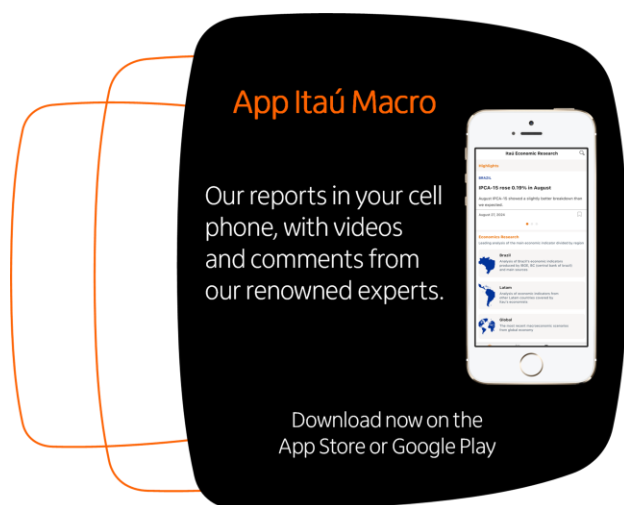
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