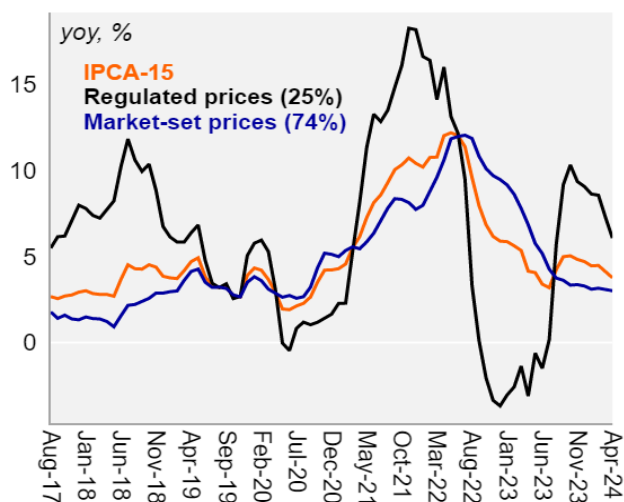


IPCA-15 moved up 0.21% in April, with downward surprise in airfare

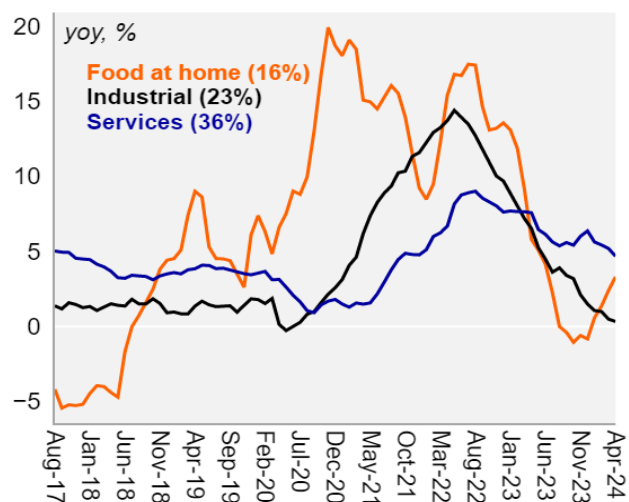
- ▶ April IPCA-15 came in at 0.21%, below both our call (0.27%) and market forecast (0.29%). In 12 months, IPCA-15 rose 3.8%, versus 4.1% in March.
- ▶ Compared to our forecast, we highlight the lower-than-expected prints in airfare and residential electricity. Regarding core metrics, underlying services inflation was broadly in line with our estimates, while underlying industrials came in above expectations led by personal hygiene – a particularly volatile item.
- ▶ Items that repeat the IPCA-15 variation at the full-month IPCA (airfares, courses, rent and condominium fees, labor, domestic workers, among others) were 4 bps below our forecast.
- ▶ In the three-month moving average, with seasonally adjusted and annualized data, underlying services inflation was stable at 6.0%, while underlying industrials moved up to 2.7% (from 1.2%). In the same metric, the average of core inflation measures increased to 3.6% (from 3.5%).
- ▶ **Our view:** April's IPCA-15 was lower than expected, this time with a downward surprise in airfare and other items that are not part of the underlying inflation (electricity and gasoline). The composition of this release was broadly in line with expectations, with no surprises in underlying services and some upside surprise in underlying industrials. This surprise was caused by personal hygiene items, which typically have quite volatile behavior. At the margin, the core average accelerated to 3.6% (from 3.5%). For 2024, we forecast IPCA of 3.7%.

IPCA-15 - Market-set and regulated prices



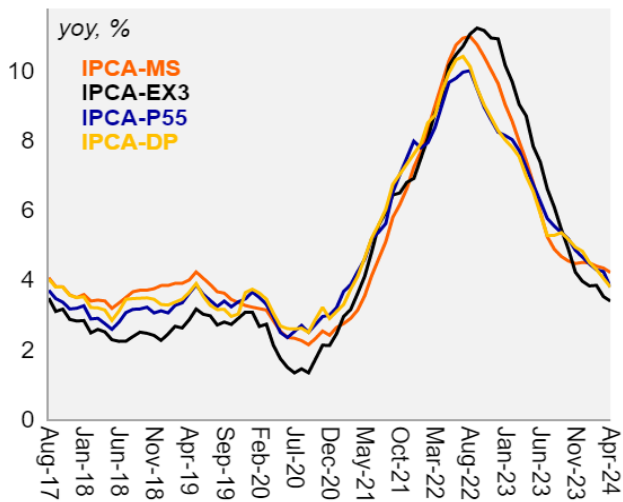
Source: IBGE, Itaú

IPCA-15 - Market-set prices



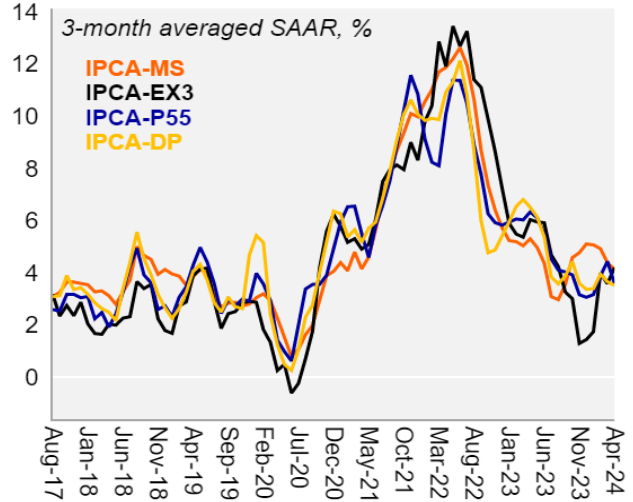
Source: IBGE, Itaú

IPCA-15 - Core



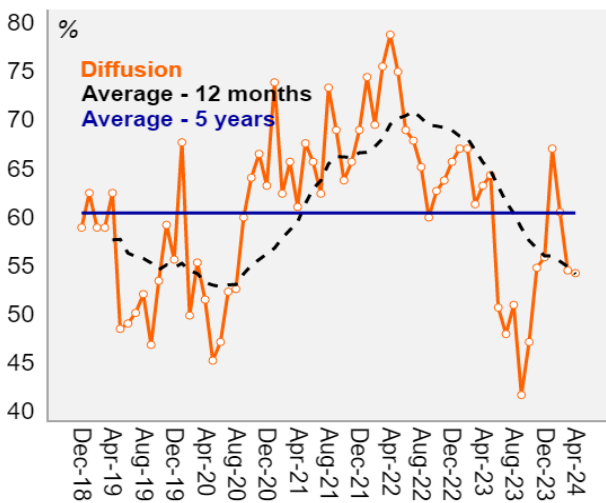
Source: IBGE, Itaú

IPCA-15



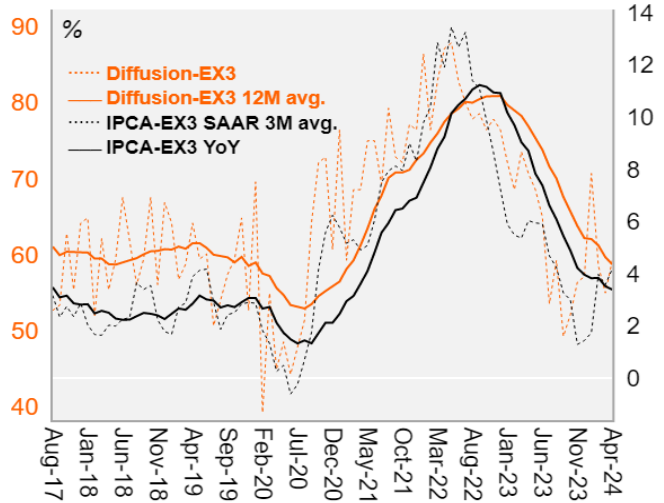
Source: IBGE, Itaú

IPCA-15 - Diffusion index



Source: IBGE, Itaú

IPCA-15 and diffusion index for EX3 core



Source: IBGE, Itaú

Weight		Apr-2023		Mar-2024		Apr-2024	Proj.	Δ
		IPCA-15	IPCA	IPCA-15	IPCA	IPCA-15		bps
100	Headline	0.57	0.61	0.36	0.16	0.21	0.27	-6.0
GROUPS	21 Food & beverage	0.04	0.71	0.91	0.53	0.61	0.61	0.0
	15 Food at home	-0.15	0.73	1.04	0.59	0.74	0.72	0.3
	5 Food out of home	0.55	0.66	0.59	0.35	0.25	0.32	-0.4
	15 Housing	0.48	0.48	0.19	0.19	0.07	0.22	-2.3
	3 Household articles	0.07	0.17	-0.58	-0.04	0.03	0.25	-0.8
	4 Apparel	0.39	0.79	-0.22	0.03	0.41	0.22	0.9
	20 Transportation	1.44	0.56	0.43	-0.33	-0.49	-0.08	-8.4
	13 Health and personal care	1.04	1.49	0.61	0.43	0.78	0.50	3.7
	10 Personal spending	0.28	0.18	-0.07	0.33	0.40	0.37	0.3
	6 Education	0.11	0.09	0.14	0.14	0.05	0.03	0.1
4 Communication	0.06	0.08	-0.04	-0.13	0.17	-0.06	1.1	
BREAKDOWN	25 Regulated prices	1.41	0.86	0.70	0.25	0.26	0.36	-2.6
	4 Residential electricity	0.84	0.48	0.00	0.12	-0.07	0.35	-1.7
	5 Gasoline	3.47	-0.52	2.39	0.21	-0.11	0.15	-1.3
	74 Market-set prices	0.29	0.53	0.24	0.13	0.20	0.24	-3.0
	15 Food at home	-0.15	0.73	1.04	0.59	0.74	0.72	0.3
	22 Industrials	0.23	0.39	-0.02	-0.12	0.07	-0.00	1.6
35 Services	0.53	0.52	0.07	0.10	0.04	0.18	-5.0	
CORES AND DIFFUSION	4 Underlying food at home	0.51	0.45	0.60	0.61	0.82	0.64	0.8
	15 Underlying industrials	0.28	0.48	-0.08	-0.08	0.16	-0.11	4.2
	21 Underlying services	0.52	0.56	0.40	0.45	0.38	0.41	-0.6
	58 IPCA-EX0	0.41	0.47	0.03	0.01	0.05	0.11	-3.5
	82 IPCA-EX1	0.55	0.66	0.10	0.11	0.18	0.22	-3.3
	40 IPCA-EX2	0.42	0.51	0.24	0.26	0.34	0.24	4.1
	36 IPCA-EX3	0.41	0.52	0.20	0.22	0.29	0.19	3.7
	- IPCA-MS	0.42	0.50	0.33	0.24	0.29	0.27	-
	- IPCA-DP	0.47	0.56	0.23	0.16	0.22	0.23	-
	- IPCA-P55	0.53	0.49	0.36	0.15	0.10	-	-
- Diffusion index	63.22	66.05	54.50	55.70	54.22	-	-	

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 subitems with positive price changes during the month.

Source: IBGE, BCB, Itaú

	Weight	Apr-23	Jan-24	Feb-24	Mar-24	Apr-24
IPCA-15 (monthly)	100.0	0.57	0.31	0.78	0.36	0.21
Regulated prices	25.8	1.41	-0.07	0.51	0.70	0.26
Market-set prices	74.2	0.29	0.44	0.88	0.24	0.20
Food at home	15.5	-0.15	2.04	1.16	1.04	0.74
Industrials	22.9	0.23	0.26	0.32	-0.02	0.07
Services	35.8	0.53	-0.11	1.13	0.07	0.04
IPCA-15 (12-month)	100.0	4.16	4.47	4.49	4.14	3.77
Regulated prices	26.0	-3.10	8.64	8.57	7.29	6.08
Market-set prices	74.0	6.86	3.11	3.17	3.11	3.02
Food at home	16.0	5.79	0.58	1.36	2.39	3.31
Industrials	23.0	6.52	1.06	0.99	0.49	0.33
Services	36.0	7.57	5.62	5.42	5.19	4.68
Core* (monthly)						
IPCA-EX0	59.0	0.41	0.03	0.81	0.03	0.05
IPCA-EX3	37.0	0.41	0.54	0.46	0.20	0.29
IPCA-MS	-	0.42	0.44	0.45	0.33	0.29
IPCA-DP	-	0.47	0.34	0.59	0.23	0.22
IPCA-P55	-	0.53	0.32	0.53	0.36	0.10
Average**	-	0.45	0.33	0.57	0.23	0.19
Core* (12-month)						
IPCA-EX0	59.0	7.15	3.78	3.65	3.30	2.94
IPCA-EX3	37.0	8.71	3.83	3.84	3.52	3.39
IPCA-MS	-	7.42	4.49	4.40	4.34	4.21
IPCA-DP	-	6.98	4.50	4.30	4.05	3.79
IPCA-P55	-	7.24	4.46	4.29	4.24	3.79
Average**	-	7.50	4.21	4.10	3.89	3.62
Diffusion***						
Diffusion index	-	63.22	67.03	60.49	54.5	54.22

* 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 subitems with positive price changes during the month.

Source: IBGE, BCB, Itaú

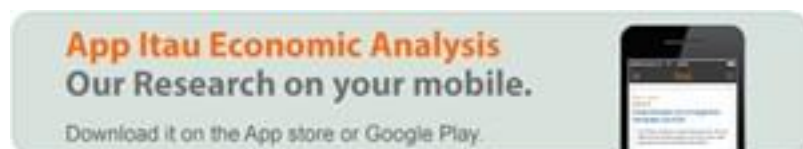
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