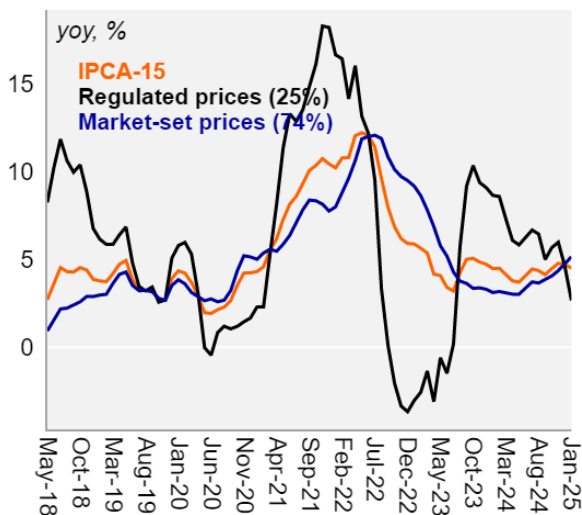


January 24, 2025

IPCA-15 moved up 0.11% in January

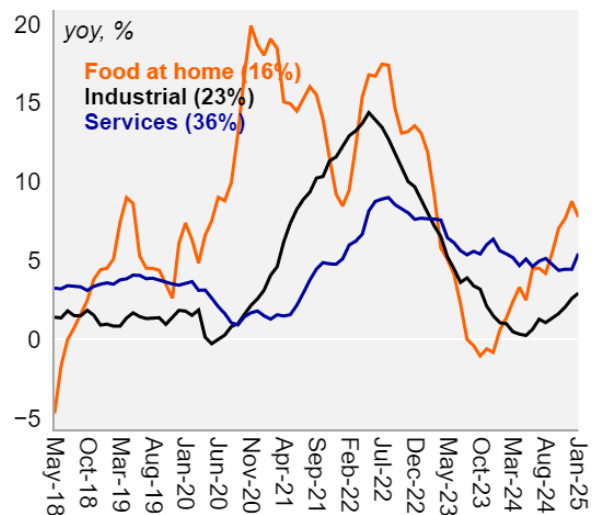
- ▶ January IPCA-15 came in at 0.11%, above both our call (0.06%) and market forecast (-0.02%). In 12 months, IPCA-15 rose 4.5%, versus 4.7% in December.
- ▶ Compared to our forecast, we highlight the higher-than-expected prints in air ticket and services for vehicles. Apparel, on the other hand, came in below our forecast. Electricity prices also decreased sharply (-15.5%), impacted by the Itaipu bonus, contributing to the relatively low monthly change. Regarding core metrics, underlying services inflation was above expectations led by rents, while underlying industrials came in below expectations, led by apparel.
- ▶ 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 8.7% (from 8.5%), while underlying industrials declined to 2.7% (from 3.0%). In the same metric, the average of core inflation measures increased to 5.8% (from 5.4%).
- ▶ **Our view:** despite the relatively low monthly print (dragged by electricity prices due to the Itaipu bonus), the IPCA-15 came in above expectations in January and with a worse-than-expected breakdown, with highlight to the upward surprise in underlying services. Today's print underscores the worsening trend in core inflation, which will likely remain under pressure in the coming months.

IPCA-15 - Market-set and regulated prices



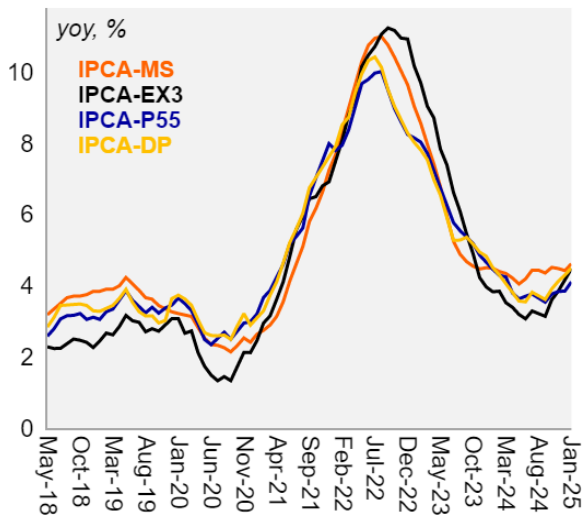
Source: IBGE, Itaú

IPCA-15 - Market-set prices



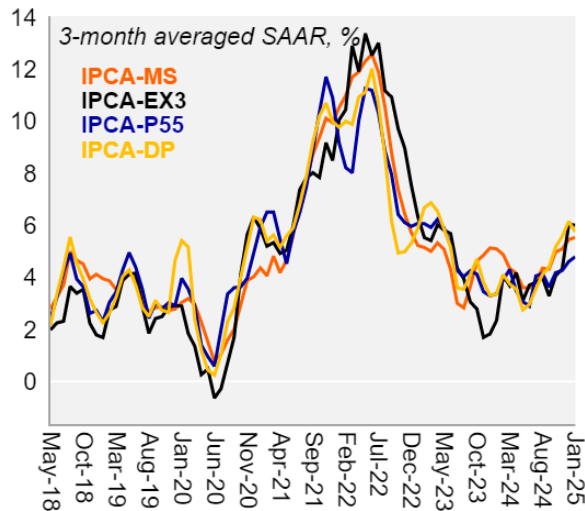
Source: IBGE, Itaú

IPCA-15 - Core



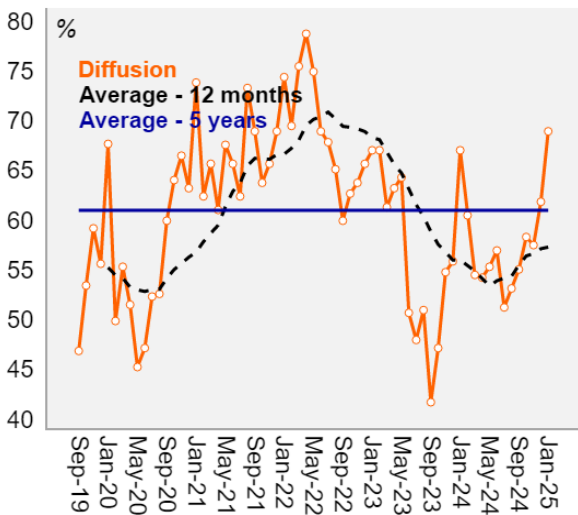
Source: IBGE, Itaú

IPCA-15



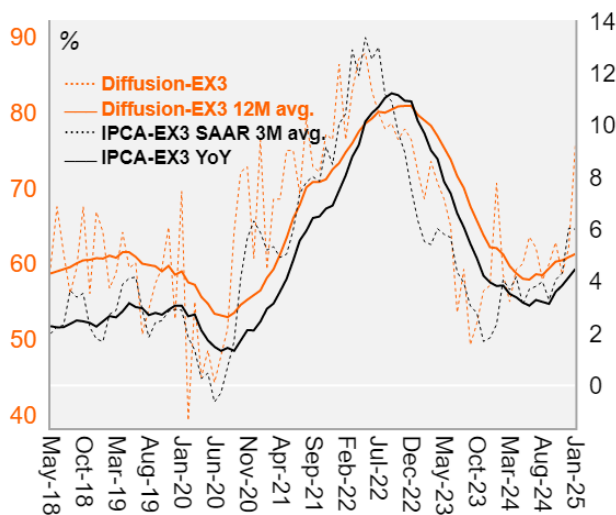
Source: IBGE, Itaú

IPCA-15 - Diffusion index



Source: IBGE, Itaú

IPCA-15 and diffusion index for EX3 core



Source: IBGE, Itaú

Weight		Jan-2024		Dec-2024		Jan-2025	Proj.	Δ	
		IPCA-15	IPCA	IPCA-15	IPCA	IPCA-15		bps	
100	Headline	0.31	0.42	0.34	0.52	0.11	0.06	5.0	
GROUPS	21	Food & beverage	1.53	1.38	1.47	1.18	1.06	1.15	-2.0
	15	Food at home	2.04	1.81	1.56	1.17	1.10	1.22	-1.9
	6	Food out of home	0.24	0.25	1.23	1.19	0.93	1.00	-0.4
	15	Housing	0.33	0.25	-1.32	-0.56	-3.43	-3.40	-0.5
	3	Household articles	0.26	0.22	-0.52	0.65	0.72	0.94	-0.8
	4	Apparel	0.22	0.14	0.34	1.14	0.46	1.01	-2.5
	20	Transportation	-1.13	-0.65	0.46	0.67	1.01	0.29	14.8
	13	Health and personal care	0.56	0.83	-0.05	0.38	0.64	0.67	-0.4
	10	Personal spending	0.56	0.82	1.36	0.62	0.40	0.45	-0.5
	6	Education	0.39	0.33	0.00	0.11	0.25	0.36	-0.7
	4	Communication	-0.03	-0.08	0.08	0.37	0.15	0.46	-1.5
BREAKDOWN	25	Regulated prices	-0.07	0.19	-0.74	-0.17	-1.92	-1.83	-2.2
	3	Residential electricity	-0.14	-0.64	-5.72	-3.19	-15.46	-15.00	-1.8
	5	Gasoline	-0.43	-0.31	-0.01	0.54	0.53	0.80	-1.4
	74	Market-set prices	0.44	0.50	0.72	0.77	0.82	0.71	8.3
	15	Food at home	2.04	1.81	1.56	1.17	1.10	1.22	-1.9
	22	Industrials	0.26	0.36	0.26	0.65	0.59	0.78	-4.3
35	Services	-0.11	0.02	0.64	0.66	0.85	0.45	14.2	
CORES AND DIFFUSION	4	Underlying food at home	0.28	0.40	0.97	1.01	1.23	1.29	-0.2
	15	Underlying industrials	0.34	0.39	-0.01	0.69	0.67	0.95	-4.2
	21	Underlying services	0.68	0.76	0.71	0.67	0.96	0.74	4.8
	58	IPCA-EX0	0.03	0.16	0.50	0.66	0.75	0.58	9.7
	82	IPCA-EX1	0.07	0.21	0.16	0.42	-0.06	-0.16	8.5
	40	IPCA-EX2	0.51	0.58	0.47	0.71	0.88	0.88	0.2
	36	IPCA-EX3	0.54	0.60	0.41	0.68	0.84	0.83	0.5
	-	IPCA-MS	0.44	0.51	0.37	0.45	0.62	0.56	-
	-	IPCA-DP	0.34	0.45	0.48	0.56	0.53	0.47	-
	-	IPCA-P55	0.32	0.40	0.30	0.54	0.57	-	-
-	Diffusion index	67.03	65.25	61.85	68.97	68.94	-	-	

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	Jan-24	Oct-24	Nov-24	Dec-24	Jan-25
IPCA-15 (monthly)	100.0	0.31	0.54	0.62	0.34	0.11
Regulated prices	25.8	-0.07	0.91	0.19	-0.74	-1.92
Market-set prices	74.2	0.44	0.41	0.77	0.72	0.82
Food at home	15.7	2.04	0.95	1.65	1.56	1.10
Industrials	22.7	0.26	0.26	0.27	0.26	0.59
Services	35.8	-0.11	0.27	0.72	0.64	0.85
IPCA-15 (12-month)	100.0	4.47	4.47	4.77	4.71	4.50
Regulated prices	26.0	8.64	5.66	5.97	4.59	2.66
Market-set prices	74.0	3.11	4.05	4.35	4.74	5.14
Food at home	16.0	0.58	7.05	7.68	8.76	7.76
Industrials	23.0	1.06	1.63	2.06	2.59	2.93
Services	36.0	5.62	4.37	4.45	4.44	5.45
Core* (monthly)						
IPCA-EX0	58.0	0.03	0.26	0.55	0.50	0.75
IPCA-EX3	36.0	0.54	0.54	0.32	0.41	0.84
IPCA-MS	-	0.44	0.42	0.39	0.37	0.62
IPCA-DP	-	0.34	0.48	0.47	0.48	0.53
IPCA-P55	-	0.32	0.43	0.30	0.30	0.57
Average**	-	0.33	0.43	0.41	0.41	0.66
Core* (12-month)						
IPCA-EX0	58.0	3.78	3.29	3.51	3.72	4.46
IPCA-EX3	36.0	3.83	3.60	3.85	4.16	4.48
IPCA-MS	-	4.49	4.51	4.48	4.42	4.61
IPCA-DP	-	4.50	3.90	4.12	4.30	4.49
IPCA-P55	-	4.46	3.76	3.84	3.85	4.10
Average**	-	4.21	3.81	3.96	4.09	4.43
Diffusion***						
Diffusion index	-	67.03	58.31	57.49	61.85	68.94

* 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.

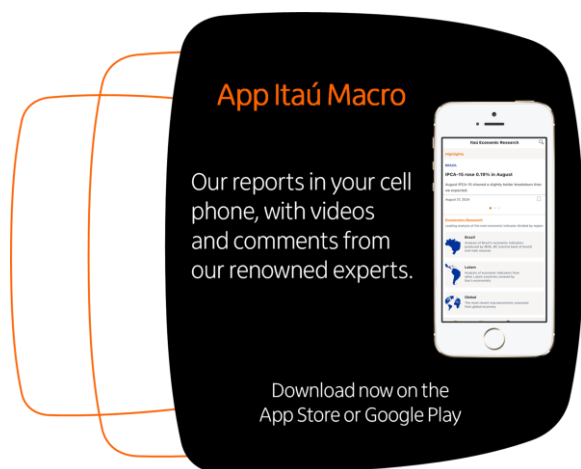
*** Diffusion: share of subitens with positive price changes during the month.

Source: IBGE, BCB, Itaú

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