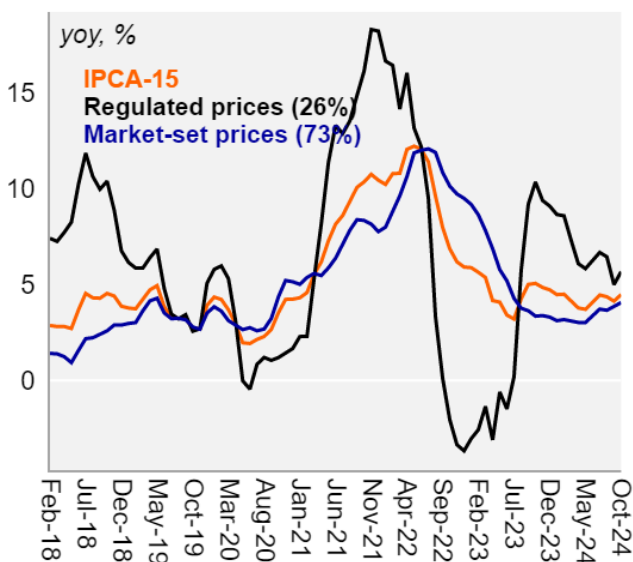


October 24, 2024

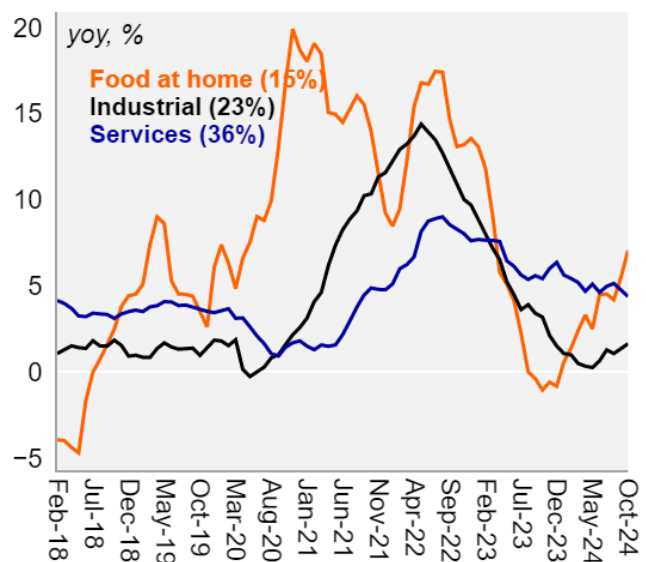
IPCA-15 moved up 0.54% in October, with a worse breakdown

- ▶ October IPCA-15 came in at 0.54%, above market forecast (0.50%) and slightly below our call (0.56%). In 12 months, IPCA-15 rose 4.5%, up from 4.1% in September.
- ▶ Compared to our forecast, we highlight the lower-than-expected prints in air ticket. Services for vehicles and telecommunications, on the other hand, came in above our forecast. Regarding core metrics, underlying services inflation was above expectations led by food out of home and services for vehicles. Underlying industrials also came in above expectations led by furniture and utensils and some items of personal hygiene.
- ▶ Items that repeat the IPCA-15 variation at the IPCA report (airfares, courses, rent and condominium fees, labor, domestic workers, among others) were 2 bps below our forecast.
- ▶ In the three-month moving average, with seasonally adjusted and annualized data, underlying services inflation moved up to 5.1% (from 3.9%), while underlying industrials moved up to 3.3% (from 2.6%). In the same metric, the average of core inflation measures increased to 4.5% (from 4.1%).
- ▶ **Our view:** October IPCA15 came in slightly below our expectations, with a downward surprise in airfare, which is an item that is not part of core inflation. However, unlike the last few readings, the breakdown of inflation was worse at the margin, with an acceleration of underlying services. We already expected this movement, reflecting the tight labor market, once the effect of the deflation in cinema tickets and vehicle insurance had passed. Underlying industrials also continued to accelerate, in line with expectations, due to the more depreciated exchange rate.

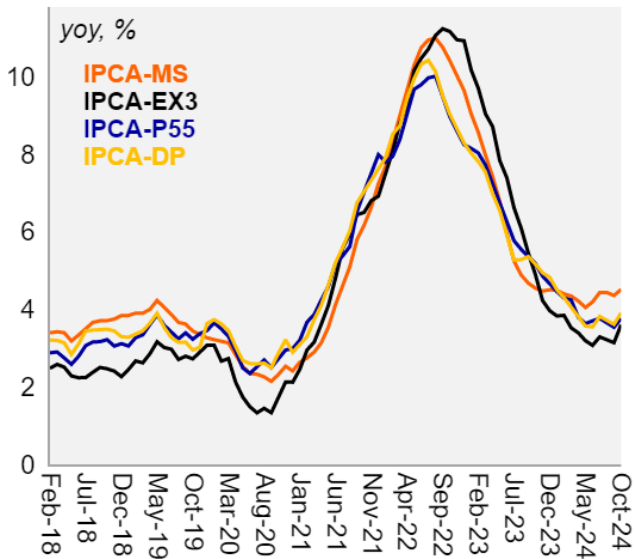
IPCA-15 - Market-set and regulated prices



IPCA-15 - Market-set prices

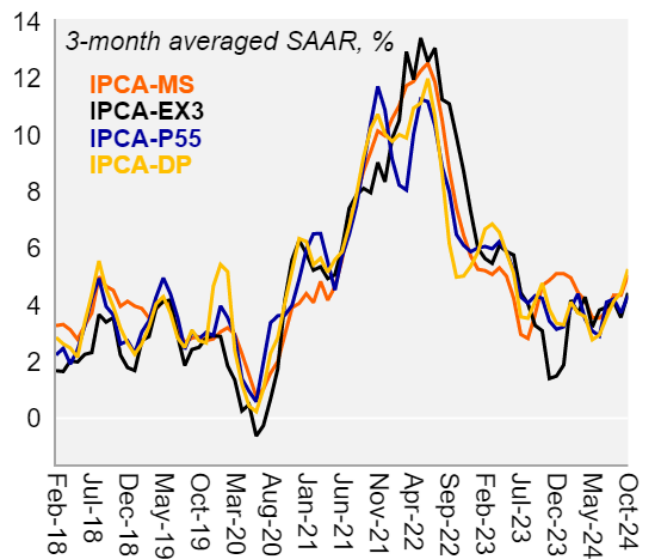


IPCA-15 - Core



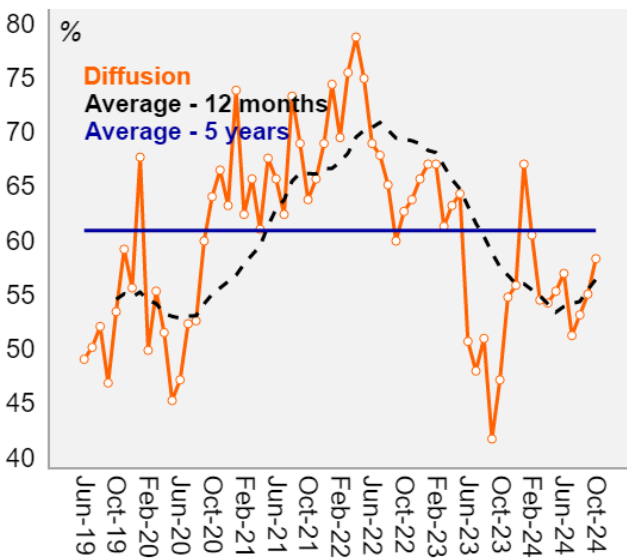
Source: IBGE, Itaú

IPCA-15 – Core at the margin



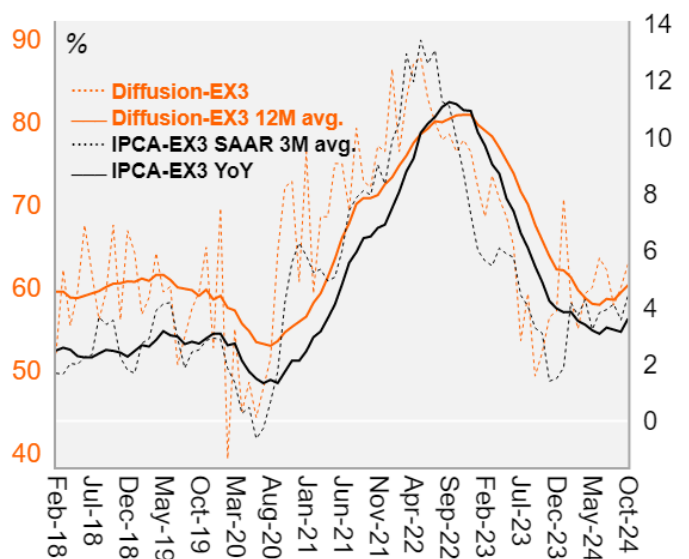
Source: IBGE, Itaú

IPCA-15 - Diffusion index



Source: IBGE, Itaú

IPCA-15 and diffusion index for EX3 core



Source: IBGE, Itaú

Weight		Oct-2023		Sep-2024		Oct-2024	Proj.	Δ
		IPCA-15	IPCA	IPCA-15	IPCA	IPCA-15		bps
100	Headline	0.21	0.24	0.13	0.44	0.54	0.56	-2.0
GROUPS	21 Food & beverage	-0.31	0.31	0.05	0.50	0.87	0.82	1.1
	15 Food at home	-0.52	0.27	-0.01	0.56	0.95	0.96	-0.2
	6 Food out of home	0.21	0.42	0.22	0.34	0.66	0.47	1.1
	15 Housing	0.26	0.02	0.50	1.80	1.72	1.87	-2.3
	3 Household articles	0.05	0.46	0.17	-0.19	0.41	0.27	0.5
	4 Apparel	0.33	0.45	0.12	0.18	0.43	0.36	0.3
	20 Transportation	0.78	0.35	-0.08	0.14	-0.33	-0.19	-2.9
	13 Health and personal care	0.28	0.32	0.32	0.46	0.49	0.40	1.2
	10 Personal spending	0.31	0.27	-0.04	-0.31	0.35	0.49	-1.4
	6 Education	0.07	0.05	0.05	0.05	0.05	0.04	0.1
	4 Communication	-0.29	-0.19	0.07	-0.05	0.40	0.01	1.8
BREAKDOWN	26 Regulated prices	0.27	-0.03	0.16	1.00	0.91	0.87	1.1
	4 Residential electricity	-0.07	-0.58	0.84	5.36	5.29	5.40	-0.4
	5 Gasoline	-0.56	-1.53	-0.66	-0.12	0.00	-0.11	0.6
	73 Market-set prices	0.19	0.34	0.12	0.24	0.41	0.44	-2.6
	15 Food at home	-0.52	0.27	-0.01	0.56	0.95	0.96	-0.2
	22 Industrials	-0.01	0.02	0.13	0.16	0.26	0.27	-0.2
35 Services	0.63	0.59	0.17	0.15	0.27	0.34	-2.7	
CORES AND DIFFUSION	4 Underlying food at home	-0.25	-0.05	0.39	0.71	0.88	0.67	0.9
	15 Underlying industrials	0.02	0.10	0.17	0.21	0.46	0.36	1.6
	21 Underlying services	0.14	0.19	-0.00	0.02	0.59	0.47	2.6
	58 IPCA-EX0	0.38	0.36	0.15	0.16	0.26	0.31	-2.7
	82 IPCA-EX1	0.35	0.34	0.21	0.43	0.50	0.49	0.8
	40 IPCA-EX2	0.05	0.13	0.10	0.16	0.57	0.45	5.0
	36 IPCA-EX3	0.09	0.15	0.07	0.10	0.54	0.43	3.9
	- IPCA-MS	0.27	0.31	0.27	0.33	0.42	0.39	-
	- IPCA-DP	0.20	0.22	0.16	0.25	0.48	0.41	-
	- IPCA-P55	0.21	0.27	0.22	0.28	0.43	-	-
- Diffusion index	47.14	52.52	55.04	56.50	58.31	-	-	

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	Oct-23	Jul-24	Aug-24	Sep-24	Oct-24
IPCA-15 (monthly)	100.0	0.21	0.30	0.19	0.13	0.54
Regulated prices	26.1	0.27	0.54	0.81	0.16	0.91
Market-set prices	73.9	0.19	0.21	-0.03	0.12	0.41
Food at home	15.3	-0.52	-0.70	-1.30	-0.01	0.95
Industrials	22.8	-0.01	0.08	0.33	0.13	0.26
Services	35.8	0.63	0.70	0.29	0.17	0.27
IPCA-15 (12-month)	100.0	5.05	4.45	4.35	4.12	4.47
Regulated prices	26.0	10.33	6.66	6.43	4.99	5.66
Market-set prices	74.0	3.34	3.71	3.65	3.83	4.05
Food at home	15.0	-1.06	4.51	4.19	5.49	7.05
Industrials	23.0	3.18	1.27	1.06	1.36	1.63
Services	36.0	5.41	4.97	5.13	4.76	4.37
Core* (monthly)						
IPCA-EX0	59.0	0.38	0.46	0.31	0.15	0.26
IPCA-EX3	37.0	0.09	0.36	0.28	0.07	0.54
IPCA-MS	-	0.27	0.35	0.29	0.27	0.42
IPCA-DP	-	0.20	0.30	0.27	0.16	0.48
IPCA-P55	-	0.21	0.23	0.28	0.22	0.43
Average**	-	0.23	0.34	0.29	0.17	0.43
Core* (12-month)						
IPCA-EX0	59.0	4.52	3.50	3.51	3.41	3.29
IPCA-EX3	37.0	4.89	3.29	3.22	3.14	3.60
IPCA-MS	-	4.54	4.43	4.43	4.35	4.51
IPCA-DP	-	5.16	3.81	3.71	3.61	3.90
IPCA-P55	-	5.18	3.76	3.65	3.54	3.76
Average**	-	4.86	3.76	3.70	3.61	3.81
Diffusion***						
Diffusion index	-	47.14	51.23	53.13	55.04	58.31

* 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

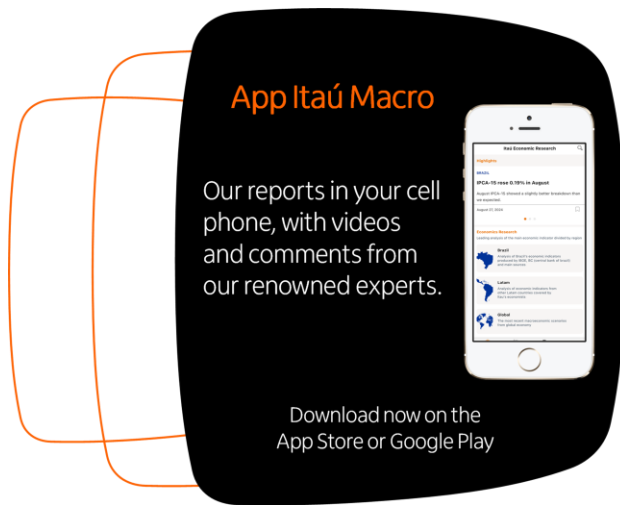
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