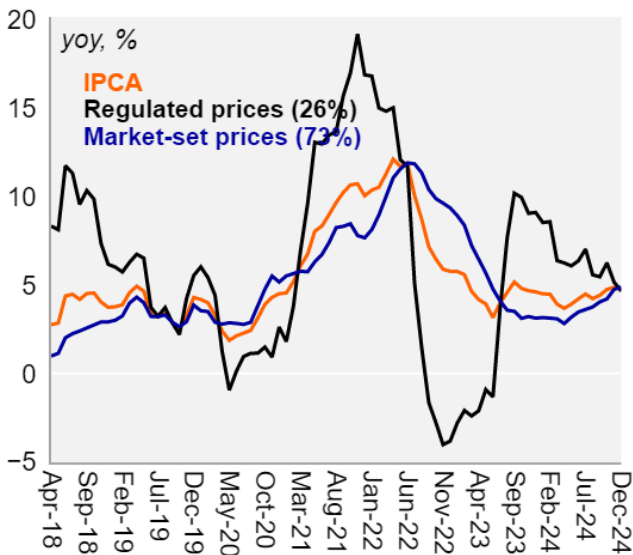


IPCA ended 2024 with a 4.8% increase

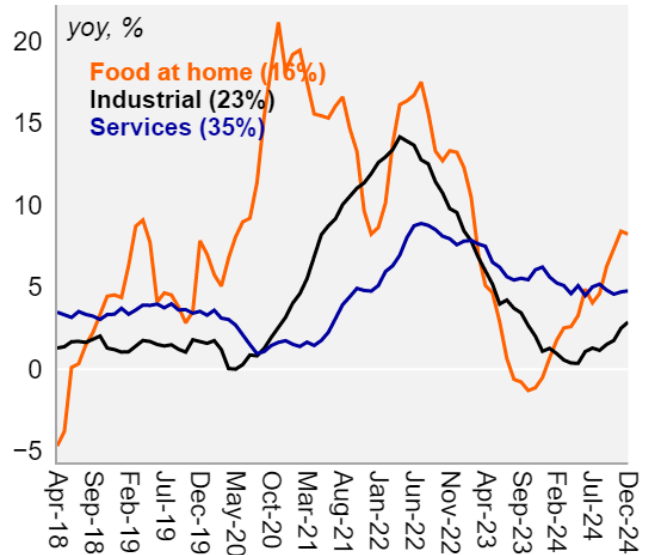
- ▶ December IPCA came in at 0.52%, close to both our call and market forecast (0.53%). For the full year of 2024, the IPCA rose 4.8% (versus 4.9% in November and 4.6% in 2023, and above the upper limit of the inflation target, at 4.5%).
- ▶ Compared to our forecast, we highlight the lower-than-expected prints in personal expenses and personal hygiene. Transport by apps, on the other hand, came in above our forecast. Regarding core metrics, both underlying services and underlying industrials inflations were slightly above expectations.
- ▶ In the three-month moving average, with seasonally adjusted and annualized data, underlying services inflation moved up to 8.7% (from 6.6%), while underlying industrials declined to 3.2% (from 3.6%). In the same metric, the average of core inflation measures increased to 5.5% (from 5.2%).
- ▶ **Our view:** December's IPCA came in close to expectations, but with a slightly worse composition than expected. Of note, underlying services surprised to the upside, concentrated in food away from home, which reflects the recent rise in protein prices, and in underlying industrials, concentrated in clothing. Overall, core inflation remains under pressure and is unlikely to ease in the next releases.

IPCA - Market-Set and Regulated Prices



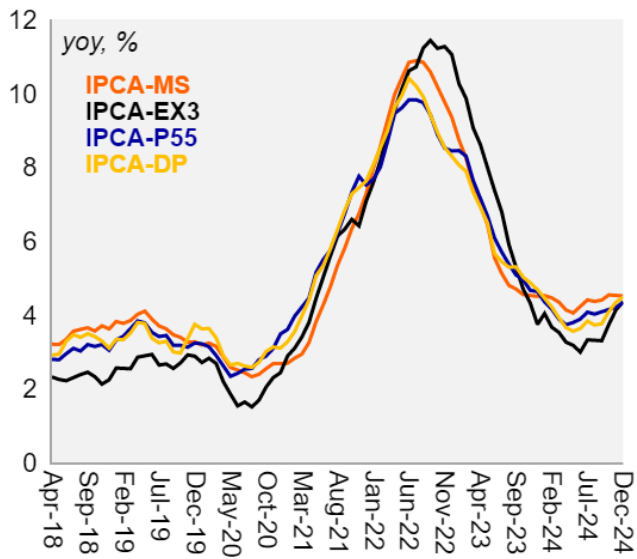
Source: IBGE, Itaú

IPCA - Market-Set Prices



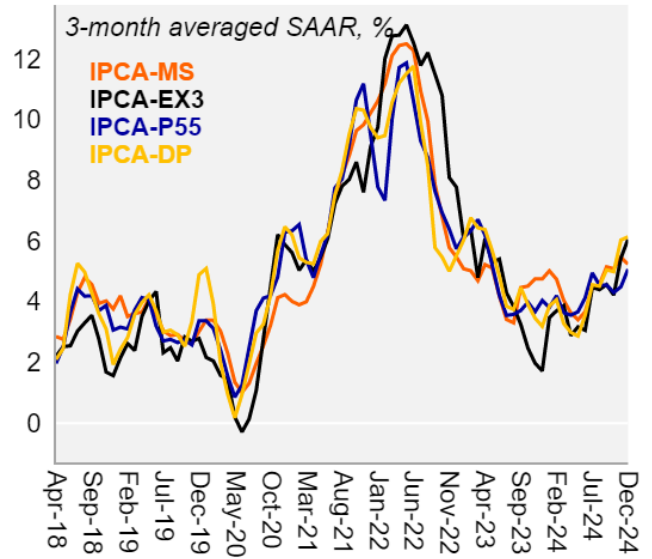
Source: IBGE, Itaú

IPCA - Core



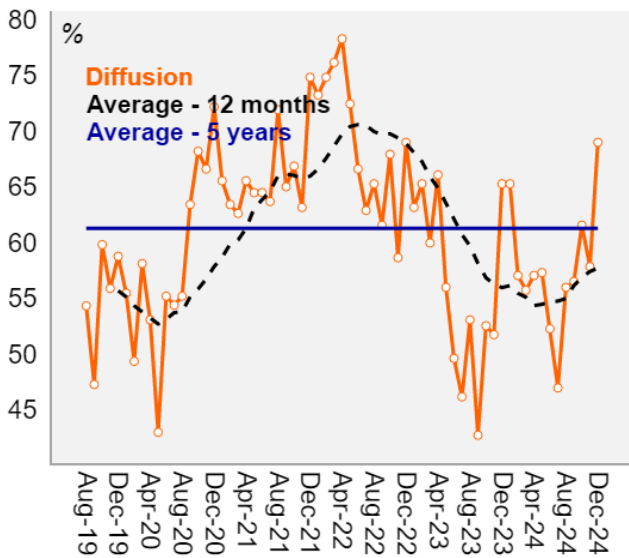
Source: IBGE, Itaú

IPCA - Core s.a. annualized, 3-month average



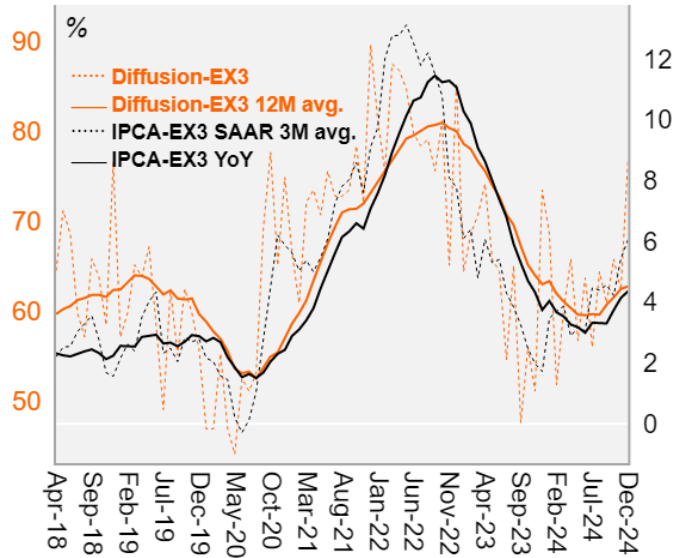
Source: IBGE, Itaú

IPCA - Diffusion Index



Source: IBGE, Itaú

IPCA and diffusion index for EX3 core



Source: IBGE, Itaú

	Weight	Dec-2023		Nov-2024		Dec-2024		Proj.	Δ bps	
		IPCA-15	IPCA	IPCA-15	IPCA	IPCA-15	IPCA			
	100	Headline	0.40	0.56	0.62	0.39	0.34	0.52	0.53	-1.0
GROUPS	21	Food & beverage	0.54	1.11	1.34	1.55	1.47	1.18	1.24	-1.3
	15	Food at home	0.55	1.34	1.65	1.81	1.56	1.17	1.29	-1.9
	5	Food out of home	0.53	0.53	0.57	0.88	1.23	1.19	1.12	0.4
	15	Housing	0.48	0.34	0.22	-1.53	-1.32	-0.56	-0.54	-0.3
	3	Household articles	-0.15	0.76	0.11	-0.31	-0.52	0.65	0.35	1.1
	4	Apparel	0.03	0.70	0.36	-0.12	0.34	1.14	0.89	1.1
	20	Transportation	0.77	0.48	0.82	0.89	0.46	0.67	0.63	0.8
	13	Health and personal care	0.14	0.35	0.18	-0.06	-0.05	0.38	0.48	-1.3
	10	Personal spending	0.56	0.48	0.83	1.43	1.36	0.62	0.83	-2.1
	6	Education	0.05	0.24	-0.01	-0.04	0.00	0.11	0.04	0.4
4	Communication	-0.46	0.04	0.11	-0.10	0.08	0.37	0.17	0.9	
BREAKDOWN	26	Regulated prices	0.56	0.31	0.19	-0.87	-0.74	-0.17	-0.19	0.5
	4	Residential electricity	0.82	0.54	0.13	-6.27	-5.72	-3.19	-3.20	0.0
	5	Gasoline	-0.24	-0.34	0.07	-0.16	-0.01	0.54	0.65	-0.6
	74	Market-set prices	0.34	0.65	0.77	0.84	0.72	0.77	0.78	-1.1
	15	Food at home	0.55	1.34	1.65	1.81	1.56	1.17	1.29	-1.9
	22	Industrials	-0.26	0.28	0.27	0.18	0.26	0.65	0.67	-0.5
35	Services	0.65	0.60	0.72	0.83	0.64	0.66	0.62	1.6	
CORES AND DIFFUSION	4	Underlying food at home	-0.21	0.02	0.53	0.83	0.97	1.01	1.09	-0.3
	15	Underlying industrials	-0.28	0.41	0.14	-0.14	-0.01	0.69	0.67	0.3
	21	Underlying services	0.39	0.51	0.45	0.60	0.71	0.67	0.63	0.9
	58	IPCA-EX0	0.29	0.47	0.55	0.58	0.50	0.66	0.64	1.0
	81	IPCA-EX1	0.39	0.48	0.47	0.18	0.16	0.42	0.40	1.4
	40	IPCA-EX2	0.08	0.42	0.34	0.34	0.47	0.71	0.69	1.0
	36	IPCA-EX3	0.11	0.47	0.32	0.29	0.41	0.68	0.65	1.1
	-	IPCA-MS	0.42	0.47	0.39	0.35	0.37	0.45	0.47	-
	-	IPCA-DP	0.31	0.43	0.47	0.44	0.48	0.56	0.55	-
	-	IPCA-P55	0.29	0.42	0.30	0.29	0.30	0.54	-	-
-	Diffusion index	55.86	65.25	57.49	57.82	61.85	68.97	-	-	

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 (monthly)	100.0	0.56	0.44	0.56	0.39	0.52
Regulated prices	26.0	0.31	1.00	0.71	-0.87	-0.17
Market-set prices	74.0	0.65	0.24	0.50	0.84	0.77
Food at home	15.7	1.34	0.56	1.22	1.81	1.17
Industrials	22.9	0.28	0.16	0.26	0.18	0.65
Services	35.5	0.60	0.15	0.35	0.83	0.66
IPCA (12-month)	100.0	4.62	4.42	4.76	4.87	4.83
Regulated prices	26.0	9.12	5.47	6.26	5.17	4.66
Market-set prices	74.0	3.13	4.05	4.22	4.76	4.89
Food at home	16.0	-0.52	6.27	7.28	8.41	8.22
Industrials	23.0	1.09	1.51	1.75	2.49	2.87
Services	35.0	6.22	4.82	4.57	4.71	4.77
Core* (monthly)						
IPCA-EX0	58.0	0.47	0.16	0.31	0.58	0.66
IPCA-EX3	37.0	0.47	0.10	0.58	0.29	0.68
IPCA-MS	-	0.47	0.33	0.45	0.35	0.45
IPCA-DP	-	0.43	0.25	0.54	0.44	0.56
IPCA-P55	-	0.42	0.28	0.33	0.29	0.54
Average**	-	0.45	0.22	0.44	0.39	0.58
Core* (12-month)						
IPCA-EX0	58.0	4.13	3.49	3.44	3.83	4.02
IPCA-EX3	37.0	3.74	3.30	3.74	4.14	4.36
IPCA-MS	-	4.50	4.40	4.54	4.53	4.51
IPCA-DP	-	4.68	3.76	4.09	4.34	4.48
IPCA-P55	-	4.63	4.08	4.15	4.21	4.33
Média núcleos**	-	4.34	3.81	3.99	4.21	4.34
Difusão***						
Diffusion index	-	65.25	56.5	61.54	57.82	68.97

* 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.

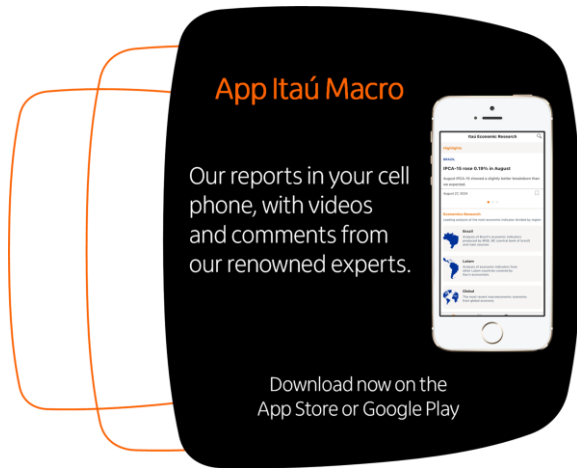
*** Diffusion: share of subitens with positive price changes during the month.

Source: IBGE, BCB, Itaú

Luciana Rabelo

Macro Research – Itaú
Mario Mesquita – Chief Economist

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