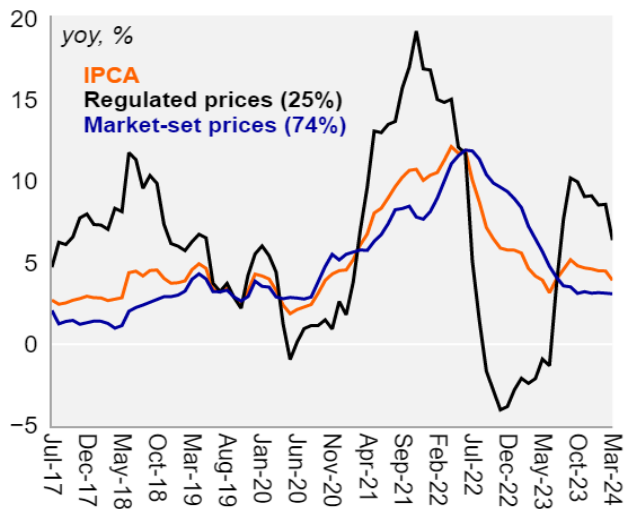


IPCA rose 0.16% in March, with a qualitative improvement

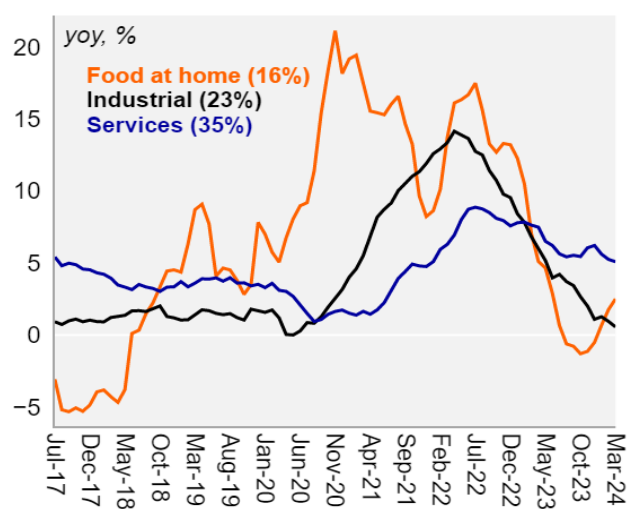
- ▶ In March, IPCA inflation came in at 0.16%, below both our call (0.27%) and the median market forecast (0.25%). In 12 months, IPCA rose 3.9%, from 4.5% in February.
- ▶ Compared to our forecast, we highlight downward surprises spread across the 3 groups: food at home (with chicken and cheese), services (with meals and car repairs) and industrials (with personal hygiene). Regarding core metrics, both underlying services and underlying industrials came in lower than expected.
- ▶ In the three-month moving average, with seasonally adjusted and annualized data, underlying services inflation remained stable at 5.7% and underlying industrials were also stable at 1.9%. In the same metric, the average of core inflation measures decelerated to 3.5% (from 3.9%).
- ▶ **Our view:** March IPCA came in lower than expected and with a more positive composition. The quality of this release, unlike previous ones, was better than expected, with downward surprises in core services and industrials. At the margin, the average of core inflation measures slowed to 3.5% (from 3.9%). For 2024, we continue to forecast IPCA inflation of 3.6%.

IPCA - Market-Set and Regulated Prices



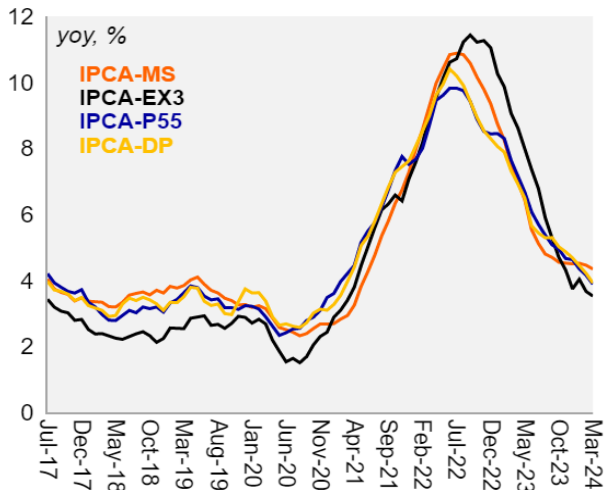
Source: IBGE, Itaú

IPCA - Market-Set Prices



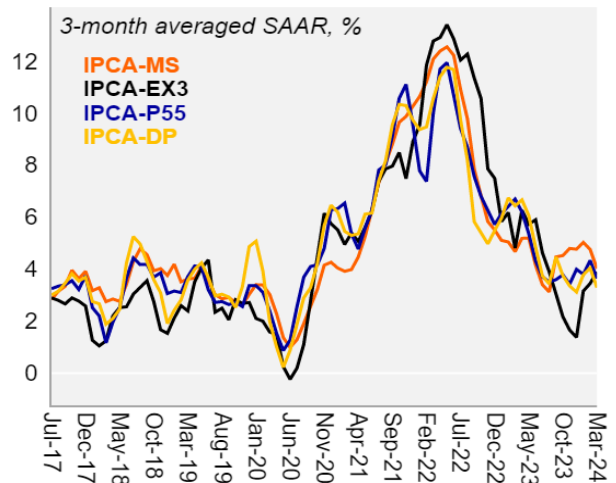
Source: IBGE, Itaú

IPCA - Core



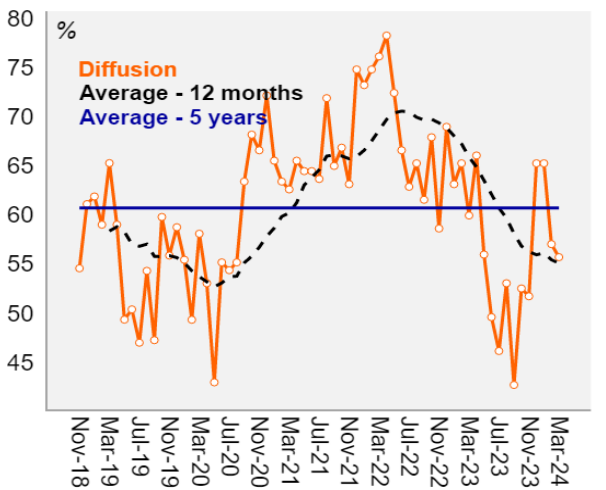
Source: IBGE, Itaú

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



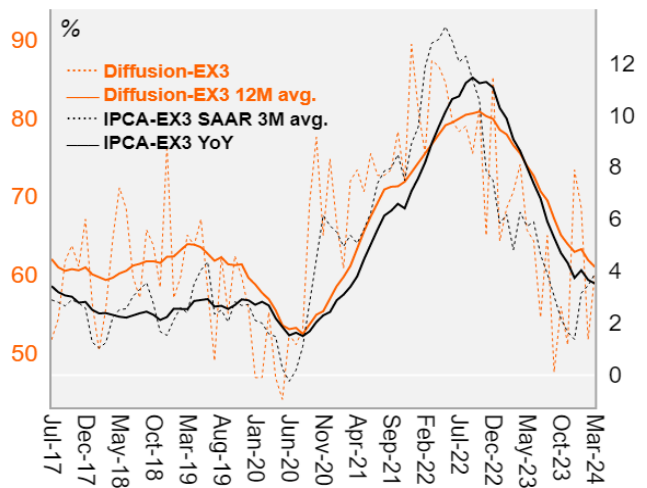
Source: IBGE, Itaú

IPCA - Diffusion Index



Source: IBGE, Itaú

IPCA and diffusion index for EX3 core



Source: IBGE, Itaú

| | Weight | Mar-2023 | | Feb-2024 | | Mar-2024 | | Proj. | Δ bps | |
|---------------------------|----------|--------------------------|-------|----------|-------|----------|-------|-------|----------|-------|
| | | IPCA-15 | IPCA | IPCA-15 | IPCA | IPCA-15 | IPCA | | | |
| | 4 | Apparel | 0.11 | 0.31 | -0.39 | -0.44 | -0.22 | 0.03 | 0.05 | -0.1 |
| GROUPS | 4 | Communication | 0.75 | 0.50 | 1.67 | 1.56 | -0.04 | -0.13 | 0.05 | -0.9 |
| | 6 | Education | 0.08 | 0.10 | 5.07 | 4.98 | 0.14 | 0.14 | 0.10 | 0.2 |
| | 21 | Food & beverage | 0.20 | 0.05 | 0.97 | 0.95 | 0.91 | 0.53 | 0.71 | -3.8 |
| | 15 | Food at home | 0.02 | -0.14 | 1.16 | 1.12 | 1.04 | 0.59 | 0.78 | -2.9 |
| | 5 | Food out of home | 0.68 | 0.60 | 0.48 | 0.49 | 0.59 | 0.35 | 0.52 | -1.0 |
| | 100 | Headline | 0.69 | 0.71 | 0.78 | 0.83 | 0.36 | 0.16 | 0.27 | -11.0 |
| | 13 | Health and personal care | 1.18 | 0.82 | 0.76 | 0.65 | 0.61 | 0.43 | 0.54 | -1.5 |
| | 3 | Household articles | -0.18 | -0.27 | 0.45 | -0.07 | -0.58 | -0.04 | -0.15 | 0.4 |
| | 15 | Housing | 0.81 | 0.57 | 0.14 | 0.27 | 0.19 | 0.19 | 0.27 | -1.2 |
| | 10 | Personal spending | 0.28 | 0.38 | 0.46 | 0.05 | -0.07 | 0.33 | 0.23 | 1.0 |
| | 20 | Transportation | 1.50 | 2.11 | 0.15 | 0.72 | 0.43 | -0.33 | -0.10 | -4.8 |
| BREAKDOWN | 15 | Food at home | 0.02 | -0.14 | 1.16 | 1.12 | 1.04 | 0.59 | 0.78 | -2.9 |
| | 5 | Gasoline | 5.76 | 8.33 | 0.84 | 2.93 | 2.39 | 0.21 | 0.50 | -1.5 |
| | 23 | Industrials | 0.48 | 0.26 | 0.32 | 0.21 | -0.02 | -0.12 | 0.06 | -4.2 |
| | 74 | Market-set prices | 0.30 | 0.17 | 0.88 | 0.80 | 0.24 | 0.13 | 0.25 | -8.9 |
| | 25 | Regulated prices | 1.90 | 2.33 | 0.51 | 0.88 | 0.70 | 0.25 | 0.34 | -2.3 |
| | 4 | Residential electricity | 2.85 | 2.23 | -0.40 | 0.14 | 0.00 | 0.12 | 0.30 | -0.7 |
| 35 | Services | 0.30 | 0.25 | 1.13 | 1.06 | 0.07 | 0.10 | 0.14 | -1.4 | |
| CORES AND DIFFUSION | - | Diffusion index | 61.31 | 59.95 | 60.49 | 57.03 | 54.50 | 55.70 | - | - |
| | - | IPCA-DP | 0.47 | 0.44 | 0.59 | 0.53 | 0.23 | 0.16 | 0.24 | - |
| | 58 | IPCA-EX0 | 0.37 | 0.26 | 0.81 | 0.72 | 0.03 | 0.01 | 0.11 | -5.9 |
| | 82 | IPCA-EX1 | 0.54 | 0.44 | 0.68 | 0.60 | 0.10 | 0.11 | 0.18 | -5.8 |
| | 40 | IPCA-EX2 | 0.49 | 0.38 | 0.43 | 0.29 | 0.24 | 0.26 | 0.36 | -4.1 |
| | 36 | IPCA-EX3 | 0.51 | 0.36 | 0.46 | 0.27 | 0.20 | 0.22 | 0.32 | -3.7 |
| | - | IPCA-MS | 0.38 | 0.36 | 0.45 | 0.42 | 0.33 | 0.24 | 0.27 | - |
| | - | IPCA-P55 | 0.41 | 0.41 | 0.53 | 0.52 | 0.36 | 0.15 | - | - |
| | 4 | Underlying food at home | 0.30 | 0.58 | 0.16 | 0.46 | 0.60 | 0.61 | 0.74 | -0.5 |
| | 15 | Underlying industrials | 0.76 | 0.37 | 0.21 | 0.05 | -0.08 | -0.08 | 0.06 | -2.2 |
| | 21 | Underlying services | 0.32 | 0.35 | 0.65 | 0.44 | 0.40 | 0.45 | 0.51 | -1.3 |

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 | Mar-23 | Dec-23 | Jan-24 | Feb-24 | Mar-24 |
|--------------------------|--------------|--------------|-------------|-------------|-------------|-------------|
| IPCA (monthly) | 100.0 | 0.71 | 0.56 | 0.42 | 0.83 | 0.16 |
| Regulated prices | 25.8 | 2.33 | 0.31 | 0.19 | 0.88 | 0.25 |
| Market-set prices | 74.2 | 0.17 | 0.65 | 0.50 | 0.80 | 0.13 |
| Food at home | 15.5 | -0.14 | 1.34 | 1.81 | 1.12 | 0.59 |
| Industrials | 23.2 | 0.26 | 0.28 | 0.36 | 0.21 | -0.12 |
| Services | 35.5 | 0.25 | 0.60 | 0.02 | 1.06 | 0.10 |
| IPCA (12-month) | 100.0 | 4.65 | 4.62 | 4.51 | 4.50 | 3.93 |
| Regulated prices | 26.0 | -2.40 | 9.12 | 8.55 | 8.59 | 6.39 |
| Market-set prices | 74.0 | 7.25 | 3.13 | 3.17 | 3.13 | 3.10 |
| Food at home | 16.0 | 7.04 | -0.52 | 0.68 | 1.77 | 2.51 |
| Industrials | 23.0 | 6.81 | 1.09 | 1.27 | 0.94 | 0.56 |
| Services | 35.0 | 7.63 | 6.22 | 5.62 | 5.25 | 5.09 |
| Core* (monthly) | | | | | | |
| IPCA-EX0 | 59.0 | 0.26 | 0.47 | 0.16 | 0.72 | 0.01 |
| IPCA-EX3 | 37.0 | 0.36 | 0.47 | 0.60 | 0.27 | 0.22 |
| IPCA-MS | - | 0.36 | 0.47 | 0.51 | 0.42 | 0.24 |
| IPCA-DP | - | 0.44 | 0.43 | 0.45 | 0.53 | 0.16 |
| IPCA-P55 | - | 0.41 | 0.42 | 0.40 | 0.52 | 0.15 |
| Average** | - | 0.37 | 0.45 | 0.42 | 0.49 | 0.16 |
| Core* (12-month) | | | | | | |
| IPCA-EX0 | 59.0 | 7.30 | 4.13 | 3.84 | 3.50 | 3.25 |
| IPCA-EX3 | 37.0 | 9.07 | 3.74 | 4.04 | 3.67 | 3.53 |
| IPCA-MS | - | 7.52 | 4.50 | 4.52 | 4.46 | 4.35 |
| IPCA-DP | - | 7.33 | 4.68 | 4.46 | 4.22 | 3.92 |
| IPCA-P55 | - | 7.64 | 4.63 | 4.35 | 4.16 | 3.89 |
| Média núcleos** | - | 7.77 | 4.34 | 4.24 | 4.00 | 3.79 |
| Difusão*** | | | | | | |
| Diffusion index | - | 59.95 | 65.25 | 65.25 | 57.03 | 55.7 |

* 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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