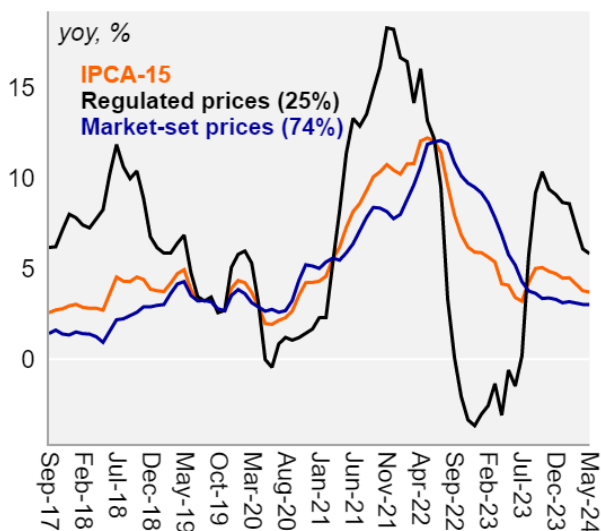


IPCA-15 moved up 0.44% in May

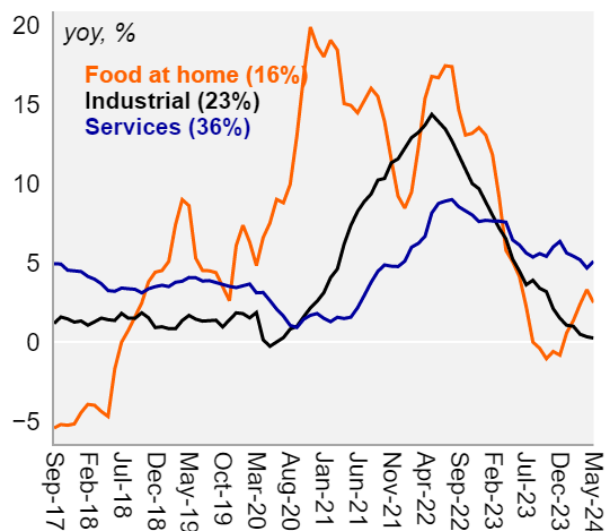
- ▶ May IPCA-15 came in at 0.44%, below both our call (0.49%) and market forecast (0.47%). In 12 months, IPCA-15 rose 3.7%, versus 3.8% in April.
- ▶ Looking at the breakdown, we highlight the lower-than-expected prints in food at home (especially beef) and some services (such as transport by apps). Gasoline prices, on the other hand, came in above our forecast. Regarding core metrics, both underlying services and underlying industrials inflations were close to expectations.
- ▶ Items that repeat the IPCA-15 variation at the IPCA full month report (airfares, courses, rent and condominium fees, labor, labor, domestic workers, among others) were in line with our forecast.
- ▶ In the 3-month moving average, with seasonally adjusted and annualized data, underlying services inflation declined to 4.9% (from 5.8%), while underlying industrials declined to 0.5% (from 2.6%). In the same metric, the average of core inflation measures receded to 3.2% (from 3.6%).
- ▶ **Our view:** May IPCA-15 came in below our estimates and with benign quality. The 3-month moving average of underlying services and underlying industrials declined, as did the average of core measures, confirming a positive reading. For the full-month IPCA reading, there is some uncertainty regarding the impact of the floods in Rio Grande do Sul on prices, even so, we expect the average of core measures used by the Central Bank to remain at a similar level.

IPCA-15 - Market-set and regulated prices



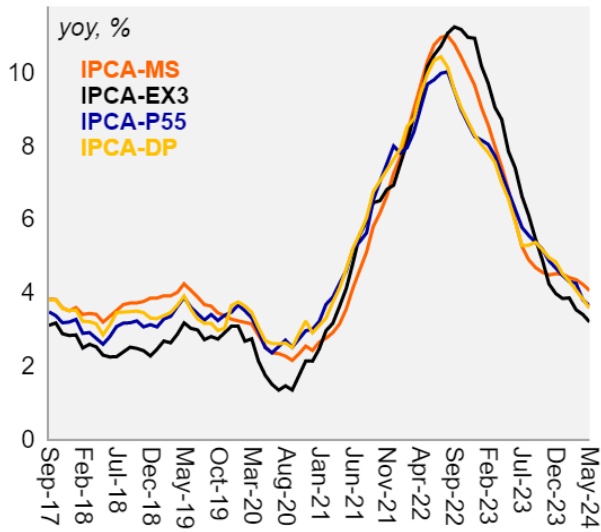
Source: IBGE, Itaú

IPCA-15 - Market-set prices



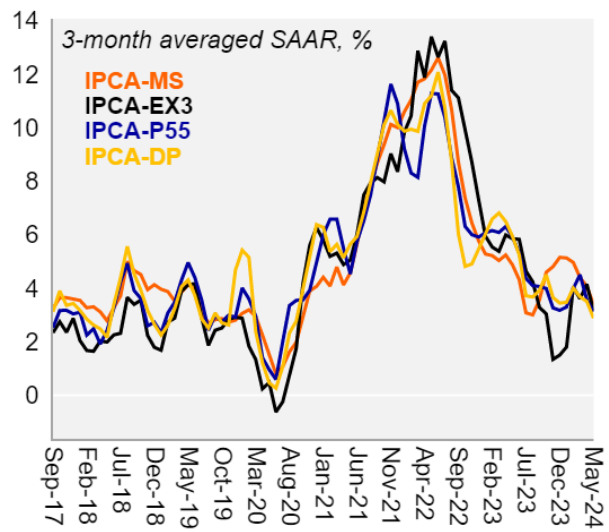
Source: IBGE, Itaú

IPCA-15 - Core



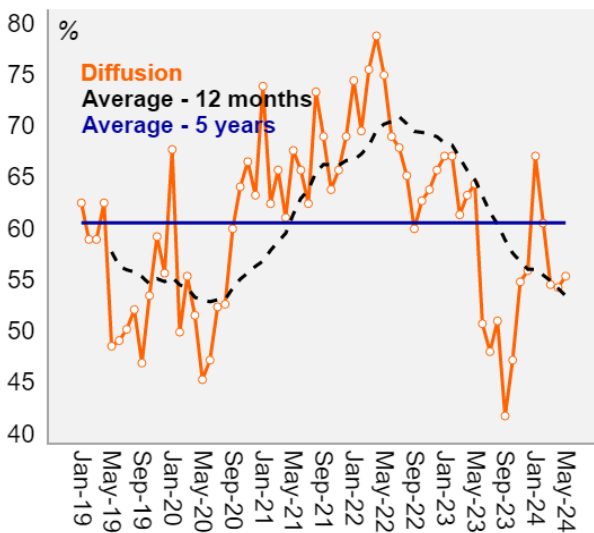
Source: IBGE, Itaú

IPCA-15



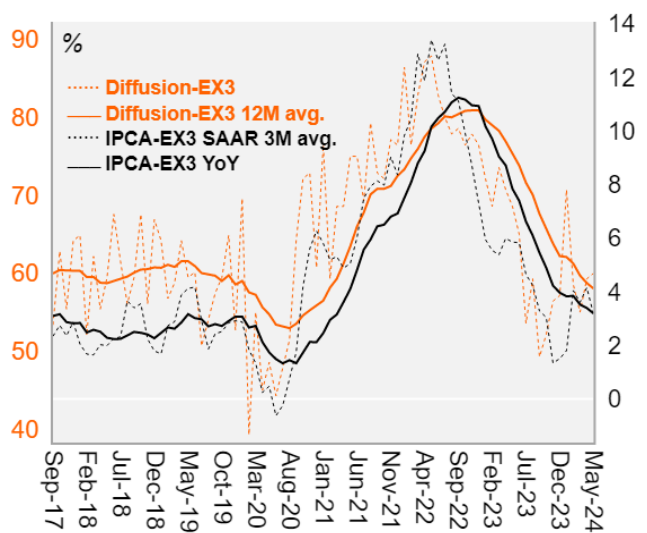
Source: IBGE, Itaú

IPCA-15 - Diffusion index



Source: IBGE, Itaú

IPCA-15 and diffusion index for EX3 core



Source: IBGE, Itaú

Weight		May-2023		Apr-2024		May-2024		Proj.	Δ bps
		IPCA-15	IPCA	IPCA-15	IPCA	IPCA-15	IPCA-15		
100	Headline	0.51	0.23	0.21	0.38	0.44	0.49	-5.0	
GROUPS	21 Food & beverage	0.94	0.16	0.61	0.70	0.26	0.47	-4.5	
	15 Food at home	1.02	0.00	0.74	0.81	0.22	0.46	-3.7	
	5 Food out of home	0.73	0.58	0.25	0.39	0.37	0.51	-0.8	
	15 Housing	0.43	0.67	0.07	-0.01	0.25	0.19	0.9	
	3 Household articles	-0.28	-0.23	0.03	-0.26	-0.44	-0.24	-0.7	
	4 Apparel	0.35	0.47	0.41	0.55	0.66	0.51	0.7	
	20 Transportation	-0.04	-0.57	-0.49	0.14	0.77	0.81	-0.8	
	13 Health and personal care	1.49	0.93	0.78	1.16	1.07	0.97	1.3	
	10 Personal spending	0.40	0.64	0.40	0.10	0.18	0.23	-0.5	
	6 Education	0.07	0.05	0.05	0.05	0.11	0.03	0.5	
4 Communication	0.02	0.21	0.17	0.48	0.18	0.39	-1.0		
BREAKDOWN	25 Regulated prices	1.10	0.71	0.26	0.74	0.85	0.72	3.4	
	3 Residential electricity	0.51	0.91	-0.07	-0.46	0.17	-0.04	0.8	
	5 Gasoline	-0.21	-1.93	-0.11	1.50	1.90	1.60	1.5	
	74 Market-set prices	0.31	0.07	0.20	0.26	0.30	0.40	-7.4	
	15 Food at home	1.02	0.00	0.74	0.81	0.22	0.46	-3.7	
	22 Industrials	0.38	0.30	0.07	0.21	0.29	0.31	-0.5	
35 Services	-0.06	-0.06	0.04	0.05	0.34	0.44	-3.6		
CORES AND DIFFUSION	4 Underlying food at home	0.65	0.50	0.82	0.62	0.26	0.42	-0.7	
	15 Underlying industrials	0.51	0.52	0.16	0.19	0.24	0.27	-0.5	
	21 Underlying services	0.45	0.38	0.38	0.32	0.31	0.35	-0.8	
	58 IPCA-EX0	0.12	0.08	0.05	0.12	0.32	0.39	-4.1	
	82 IPCA-EX1	0.45	0.45	0.18	0.23	0.36	0.41	-4.1	
	40 IPCA-EX2	0.49	0.45	0.34	0.30	0.28	0.32	-1.6	
	36 IPCA-EX3	0.47	0.44	0.29	0.27	0.28	0.31	-1.1	
	- IPCA-MS	0.48	0.49	0.29	0.30	0.32	0.34	-	
	- IPCA-DP	0.51	0.46	0.22	0.31	0.30	0.36	-	
	- IPCA-P55	0.50	0.39	0.10	0.34	0.34	-	-	
- Diffusion index	64.31	55.97	54.22	57.03	55.31	-	-		

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	May-23	Feb-24	Mar-24	Apr-24	May-24
IPCA-15 (monthly)	100.0	0.51	0.78	0.36	0.21	0.44
Regulated prices	25.8	1.10	0.51	0.70	0.26	0.85
Market-set prices	74.2	0.31	0.88	0.24	0.20	0.30
Food at home	15.6	1.02	1.16	1.04	0.74	0.22
Industrials	22.9	0.38	0.32	-0.02	0.07	0.29
Services	35.7	-0.06	1.13	0.07	0.04	0.34
IPCA-15 (12-month)	100.0	4.07	4.49	4.14	3.77	3.70
Regulated prices	26.0	-0.61	8.57	7.29	6.08	5.82
Market-set prices	74.0	5.77	3.17	3.11	3.02	3.01
Food at home	16.0	5.07	1.36	2.39	3.31	2.49
Industrials	23.0	5.23	0.99	0.49	0.33	0.25
Services	36.0	6.45	5.42	5.19	4.68	5.10
Core* (monthly)						
IPCA-EX0	59.0	0.12	0.81	0.03	0.05	0.32
IPCA-EX3	37.0	0.47	0.46	0.20	0.29	0.28
IPCA-MS	-	0.48	0.45	0.33	0.29	0.32
IPCA-DP	-	0.51	0.59	0.23	0.22	0.30
IPCA-P55	-	0.50	0.53	0.36	0.10	0.34
Average**	-	0.42	0.57	0.23	0.19	0.31
Core* (12-month)						
IPCA-EX0	59.0	5.96	3.65	3.30	2.94	3.15
IPCA-EX3	37.0	7.84	3.84	3.52	3.39	3.19
IPCA-MS	-	6.78	4.40	4.34	4.21	4.05
IPCA-DP	-	6.54	4.30	4.05	3.79	3.57
IPCA-P55	-	6.74	4.29	4.24	3.79	3.63
Average**	-	6.77	4.10	3.89	3.62	3.52
Diffusion***						
Diffusion index	-	64.31	60.49	54.5	54.22	55.31

* 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

Julia Gottlieb
Luciana Rabelo

Macro Research – Itaú

Mario Mesquita – Chief Economist

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