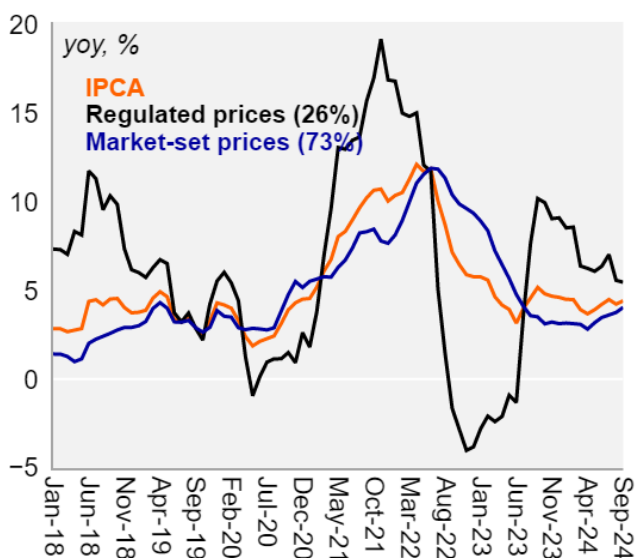


IPCA rose 0.56% in October, slightly above market expectations

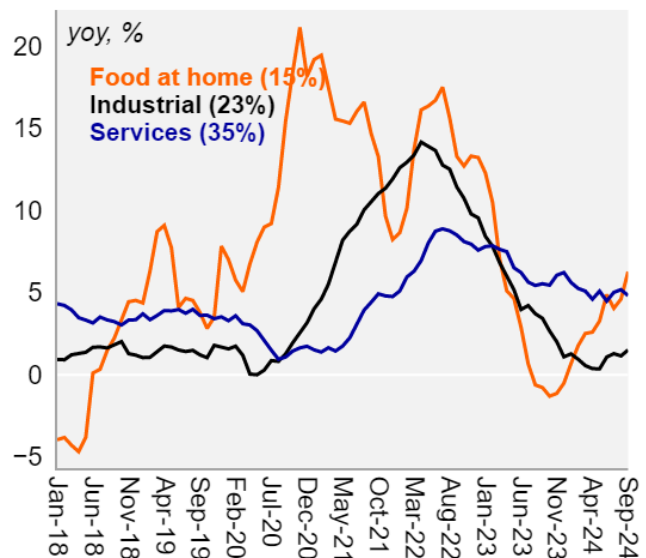
- ▶ October IPCA came in at 0.56%, above market forecast (0.54%) and below our call (0.58%). In 12 months, IPCA rose 4.8%, from 4.4% in September.
- ▶ Compared to our forecast, we highlight the lower-than-expected prints in personal expenses and ride-hailing transportation. The pharmaceutical products item, on the other hand, came in above our forecast. Regarding core metrics, underlying services and underlying industrials were in line with our estimates.
- ▶ In the three-month moving average, with seasonally adjusted and annualized data, underlying services inflation accelerated to 5.2% (from 4.7%), while underlying industrials decelerated to 2.3% (from 2.9%). In the same metric, the average of core inflation measures decelerated to 4.3% (from 4.9%).
- ▶ **Our view:** October IPCA came in line with our expectation, both in the headline and in the breakdowns. The qualitative aspect of inflation has been worsening at the margin, with an acceleration in underlying services, driven by the reversal of cinema tickets deflation, increases in food out of home and labor-intensive items. We already expected this movement, reflecting the tight labor market.

IPCA - Market-Set and Regulated Prices



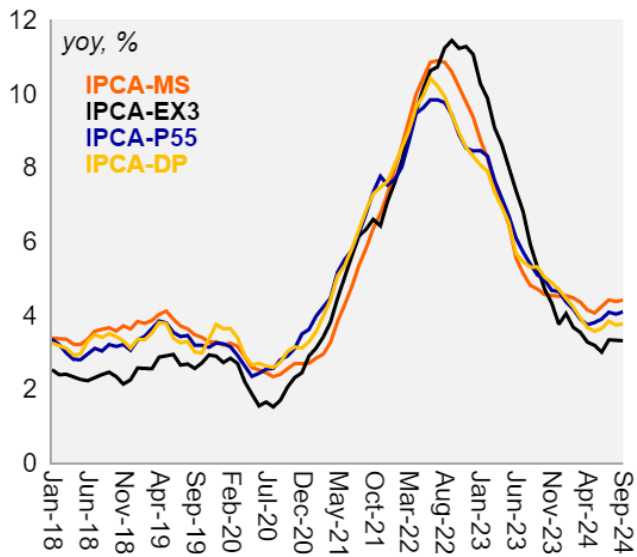
Source: IBGE, Itaú

IPCA - Market-Set Prices



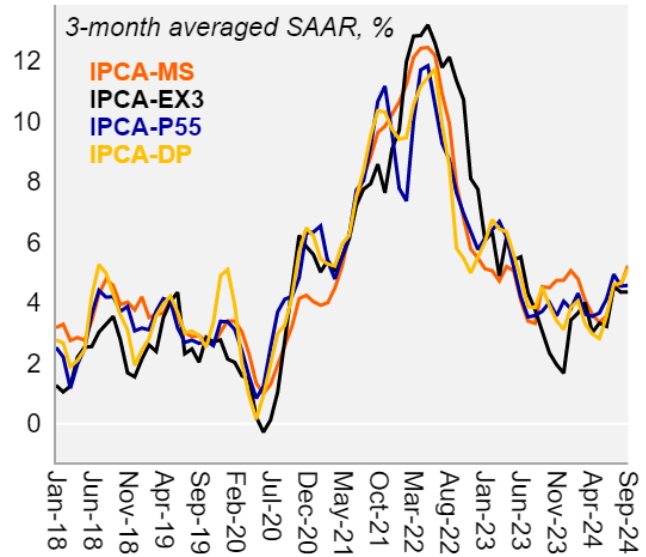
Source: IBGE, Itaú

IPCA - Core



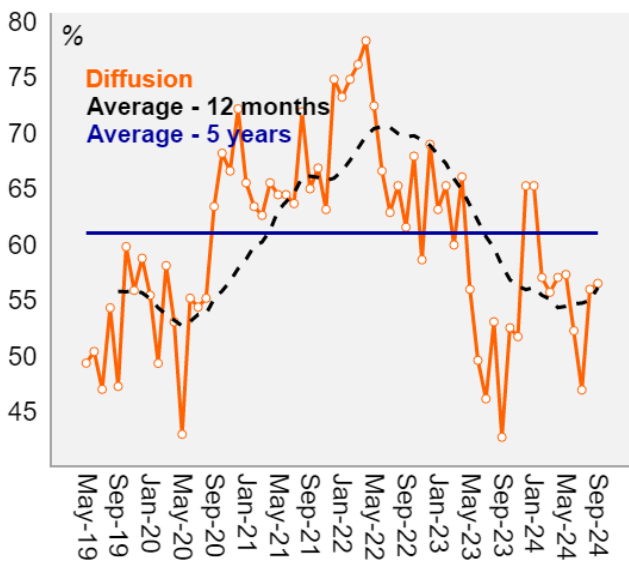
Source: IBGE, Itaú

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



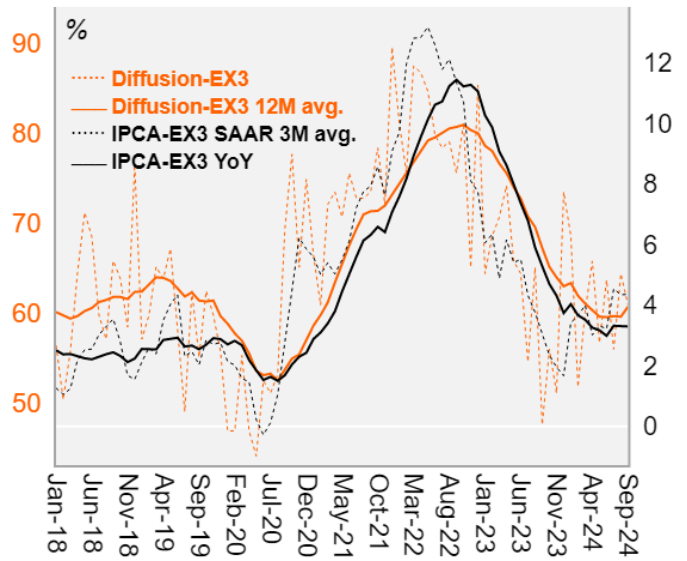
Source: IBGE, Itaú

IPCA - Diffusion Index



Source: IBGE, Itaú

IPCA and diffusion index for EX3 core



Source: IBGE, Itaú

	Weight	Sep-2023		Aug-2024		Sep-2024		Fore cast.	Δ bps	
		IPCA-15	IPCA	IPCA-15	IPCA	IPCA-15	IPCA			
	100	Headline	0.35	0.26	0.19	-0.02	0.13	0.44	0.46	-2.0
GROUPS	21	Food & beverage	-0.77	-0.71	-0.80	-0.44	0.05	0.50	0.45	1.1
	15	Food at home	-1.25	-1.02	-1.30	-0.73	-0.01	0.56	0.50	0.9
	5	Food out of home	0.46	0.12	0.49	0.33	0.22	0.34	0.31	0.2
	15	Housing	0.30	0.47	0.18	-0.51	0.50	1.80	1.79	0.2
	3	Household articles	-0.47	-0.58	0.71	0.74	0.17	-0.19	0.08	-1.0
	4	Apparel	0.41	0.38	0.09	0.39	0.12	0.18	0.24	-0.3
	20	Transportation	2.02	1.40	0.83	0.00	-0.08	0.14	0.02	2.5
	13	Health and personal care	0.17	0.04	0.27	0.25	0.32	0.46	0.53	-1.0
	10	Personal spending	0.35	0.45	0.43	0.25	-0.04	-0.31	0.03	-3.4
	6	Education	0.05	0.05	0.75	0.73	0.05	0.05	0.03	0.1
4	Communication	-0.15	-0.11	0.09	0.10	0.07	-0.05	0.02	-0.3	
BREAKDOWN	26	Regulated prices	1.54	1.11	0.81	-0.12	0.16	1.00	0.97	0.9
	3	Residential electricity	0.66	0.99	-0.42	-2.77	0.84	5.36	5.57	-0.8
	5	Gasoline	5.18	2.80	3.33	0.67	-0.66	-0.12	-0.25	0.7
	73	Market-set prices	-0.06	-0.04	-0.03	0.02	0.12	0.24	0.28	-3.0
	15	Food at home	-1.25	-1.02	-1.30	-0.73	-0.01	0.56	0.50	0.9
	23	Industrials	-0.16	-0.20	0.33	0.18	0.13	0.16	0.31	-3.5
35	Services	0.53	0.50	0.29	0.24	0.17	0.15	0.17	-0.6	
CORES AND DIFFUSION	4	Underlying food at home	-0.15	-0.30	0.49	0.37	0.39	0.71	0.64	0.3
	15	Underlying industrials	-0.10	-0.16	0.12	0.19	0.17	0.21	0.42	-3.2
	21	Underlying services	0.34	0.33	0.39	0.28	-0.00	0.02	0.04	-0.5
	58	IPCA-EX0	0.25	0.22	0.31	0.22	0.15	0.16	0.23	-4.3
	82	IPCA-EX1	0.32	0.29	0.21	0.07	0.21	0.43	0.49	-4.9
	41	IPCA-EX2	0.12	0.07	0.30	0.25	0.10	0.16	0.25	-3.6
	36	IPCA-EX3	0.15	0.12	0.28	0.24	0.07	0.10	0.20	-3.7
	-	IPCA-MS	0.34	0.30	0.29	0.30	0.27	0.33	0.31	-
	-	IPCA-DP	0.26	0.22	0.27	0.19	0.16	0.25	0.29	-
	-	IPCA-P55	0.33	0.22	0.28	0.29	0.22	0.28	-	-
-	Diffusion index	41.69	42.71	53.13	55.97	55.04	56.50	-	-	

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	Sep-23	Jun-24	Jul-24	Aug-24	Sep-24
IPCA (monthly)	100.0	0.26	0.21	0.38	-0.02	0.44
Regulated prices	26.1	1.11	0.33	1.08	-0.12	1.00
Market-set prices	73.9	-0.04	0.16	0.14	0.02	0.24
Food at home	15.3	-1.02	0.47	-1.51	-0.73	0.56
Industrials	23.1	-0.20	0.13	0.33	0.18	0.16
Services	35.5	0.50	0.04	0.75	0.24	0.15
IPCA (12-month)	100.0	5.19	4.23	4.50	4.24	4.42
Regulated prices	26.0	10.21	6.38	7.04	5.58	5.47
Market-set prices	74.0	3.52	3.48	3.62	3.77	4.05
Food at home	15.0	-0.78	4.88	4.04	4.60	6.27
Industrials	23.0	3.43	1.07	1.29	1.14	1.51
Services	35.0	5.54	4.48	5.01	5.18	4.82
Core* (monthly)						
IPCA-EX0	59.0	0.22	0.08	0.59	0.22	0.16
IPCA-EX3	37.0	0.12	0.26	0.41	0.24	0.10
IPCA-MS	-	0.30	0.28	0.39	0.30	0.33
IPCA-DP	-	0.22	0.20	0.40	0.19	0.25
IPCA-P55	-	0.22	0.30	0.36	0.29	0.28
Average**	-	0.22	0.22	0.43	0.25	0.22
Core* (12-month)						
IPCA-EX0	59.0	4.68	3.11	3.51	3.55	3.49
IPCA-EX3	37.0	5.29	2.99	3.32	3.32	3.30
IPCA-MS	-	4.70	4.23	4.41	4.37	4.40
IPCA-DP	-	5.30	3.63	3.83	3.73	3.76
IPCA-P55	-	5.08	3.89	4.07	4.02	4.08
Média núcleo**	-	5.01	3.57	3.83	3.80	3.81
Difusão***						
Diffusion index	-	42.71	52.25	46.95	55.97	56.5

* 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

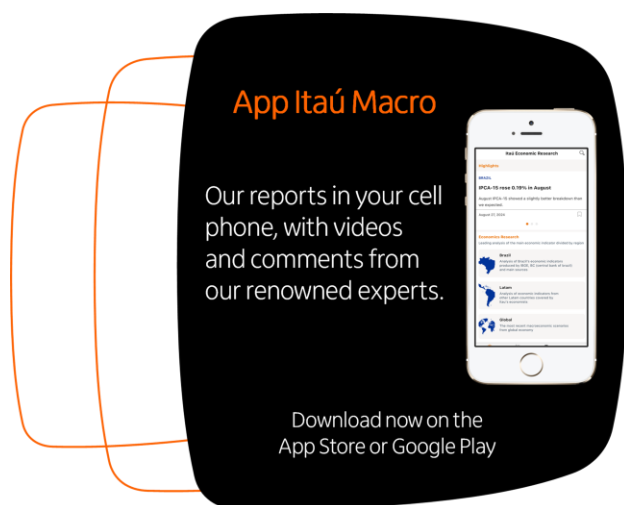
Luciana Rabelo

Macro Research – Itaú

Mario Mesquita – Chief Economist

To access our reports and forecast visit our website:

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