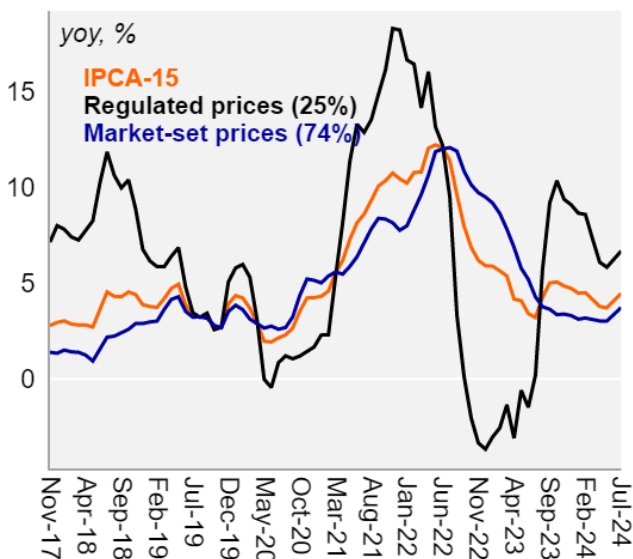


## IPCA-15 rose 0.30% in July, with a worse breakdown

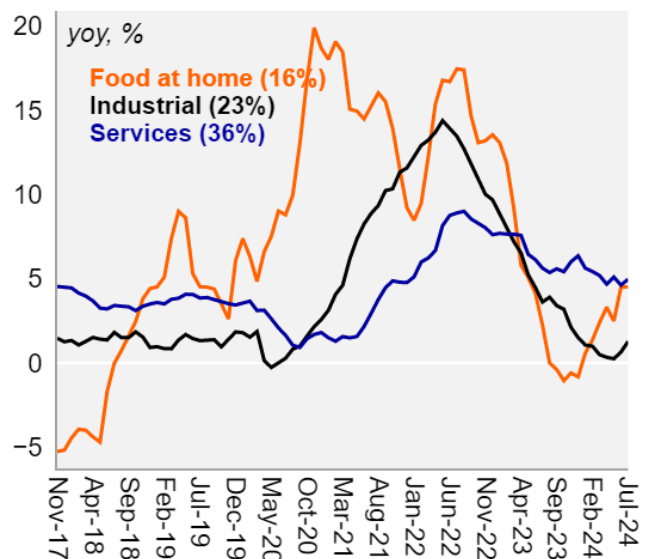
- ▶ July IPCA-15 came in at 0.30%, above our call and the market forecast, both of 0.22%. Accumulated in 12 months, IPCA-15 rose 4.4%, up from 4.1% in June.
- ▶ Compared to our forecast, we highlight the higher-than-expected prints in air ticket and services for vehicles. Food at home, on the other hand, came in below our forecast. Regarding core metrics, underlying services inflation was above expectations led by condo fees, while the underlying industrials metric was in line with our estimates.
- ▶ Items that repeat their IPCA-15 variation at the full-month IPCA report (airfares, courses, rent and condominium fees, labor, domestic workers, among others) were 11 bps above our forecast.
- ▶ In the three-month moving average, with seasonally adjusted and annualized data, underlying services inflation moved up to 4.3% (from 4.2%), while underlying industrials declined to 2.1% (from 2.4%). In the same metric, the average of core inflation measures increased to 4.1% (from 3.4%).
- ▶ **Our view:** July's IPCA-15 came in above our expectation and with a worse-than-expected breakdown, especially due to the acceleration in underlying services, showing that its lowest level for the year has likely been in June. Looking ahead, we expect the services component to remain under pressure, reflecting the tight labor market. We also expect an acceleration in industrial goods, reflecting the more depreciated exchange rate.

IPCA-15 - Market-set and regulated prices



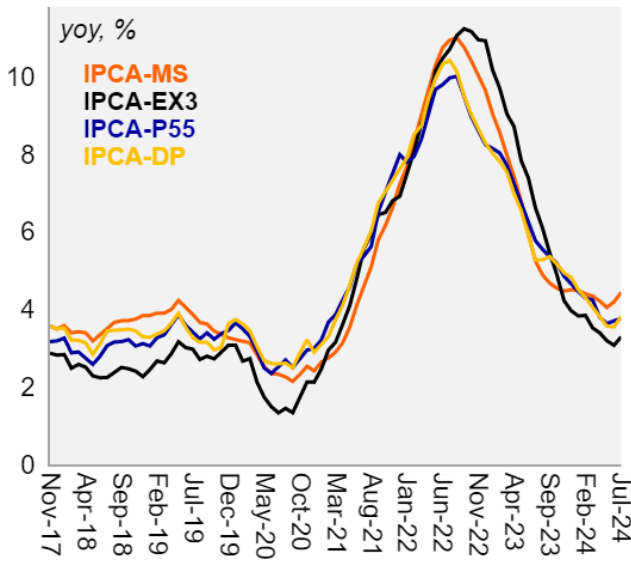
Source: IBGE, Itaú

IPCA-15 - Market-set prices



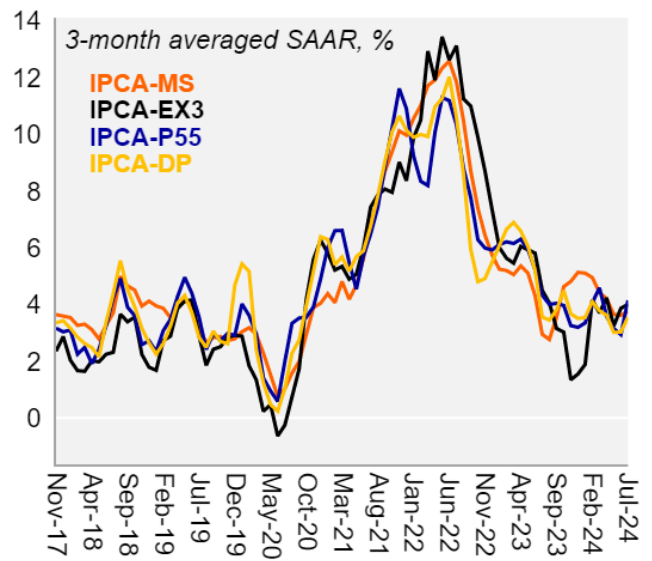
Source: IBGE, Itaú

IPCA-15 - Core



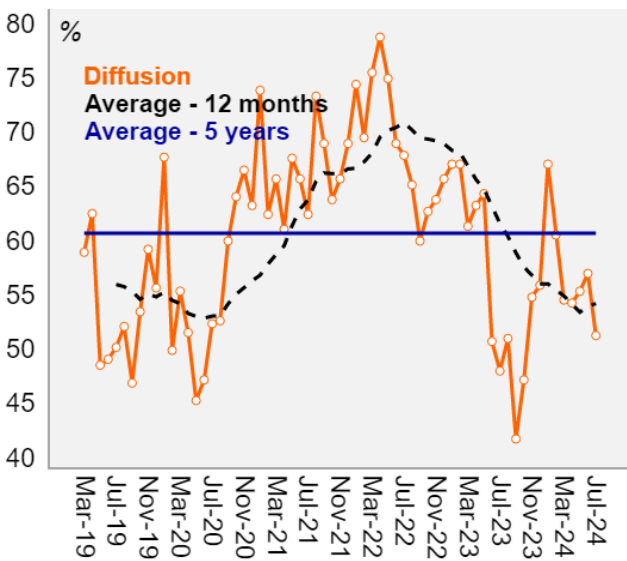
Source: IBGE, Itaú

IPCA-15 - Core



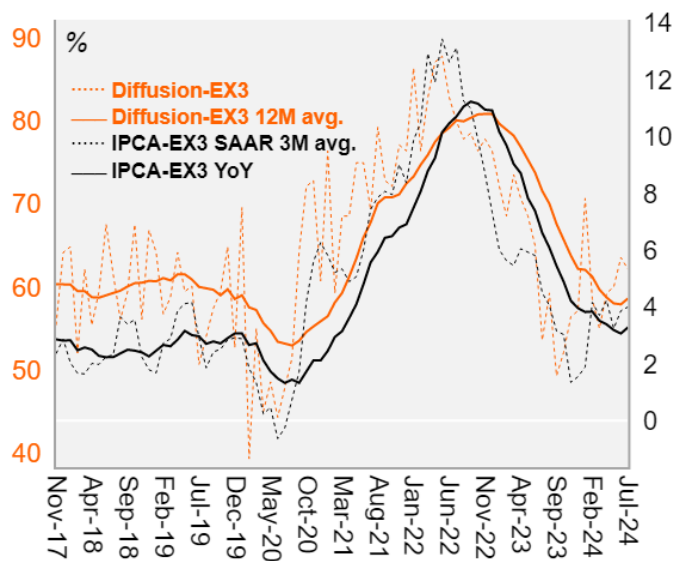
Source: IBGE, Itaú

IPCA-15 - Diffusion index



Source: IBGE, Itaú

IPCA-15 and diffusion index for EX3 core



Source: IBGE, Itaú

	Weight		Jul-2023		Jun-2024		Jul-2024	Proj.	Δ bps
			IPCA-15	IPCA	IPCA-15	IPCA	IPCA-15		
	100	<b>Headline</b>	-0.07	0.12	0.39	0.21	0.30	0.22	8.0
<b>GROUPS</b>	21	<b>Food &amp; beverage</b>	-0.40	-0.46	0.98	0.44	-0.44	-0.32	-2.6
	15	Food at home	-0.72	-0.72	1.13	0.47	-0.70	-0.56	-2.2
	6	Food out of home	0.46	0.21	0.59	0.37	0.25	0.30	-0.3
	15	<b>Housing</b>	-0.94	-1.01	0.63	0.25	0.49	0.58	-1.4
	3	<b>Household articles</b>	-0.40	0.04	-0.01	0.19	0.24	0.12	0.4
	4	<b>Apparel</b>	0.04	-0.24	0.30	0.02	-0.08	-0.10	0.1
	20	<b>Transportation</b>	0.63	1.50	-0.23	-0.19	1.12	0.52	12.2
	13	<b>Health and personal care</b>	0.07	0.26	0.57	0.54	0.33	0.40	-0.9
	10	<b>Personal spending</b>	0.38	0.38	0.25	0.29	0.32	0.44	-1.2
	6	<b>Education</b>	0.11	0.13	0.05	0.06	0.06	0.07	-0.1
4	<b>Communication</b>	-0.17	0.00	0.17	-0.08	0.09	-0.12	1.0	
<b>BREAKDOWN</b>	25	<b>Regulated prices</b>	0.17	0.46	0.40	0.33	0.54	0.56	-0.6
	3	Residential electricity	-3.45	-3.89	0.79	0.30	1.20	1.35	-0.6
	5	Gasoline	2.99	4.75	-0.13	0.64	1.43	0.90	2.6
	74	<b>Market-set prices</b>	-0.15	0.01	0.38	0.16	0.21	0.10	8.4
	15	Food at home	-0.72	-0.72	1.13	0.47	-0.70	-0.56	-2.2
	22	Industrials	-0.55	0.12	0.31	0.13	0.08	-0.01	2.1
35	<b>Services</b>	0.36	0.25	0.10	0.04	0.70	0.47	8.3	
<b>CORES AND DIFFUSION</b>	4	<b>Underlying food at home</b>	-0.03	0.03	0.43	0.30	0.35	0.40	-0.2
	15	<b>Underlying industrials</b>	-0.11	-0.05	0.29	0.13	0.07	0.01	0.9
	21	<b>Underlying services</b>	0.35	0.19	0.40	0.36	0.58	0.42	3.3
	58	IPCA-EX0	-0.00	0.20	0.18	0.08	0.46	0.28	10.5
	82	IPCA-EX1	-0.07	0.01	0.30	0.15	0.42	0.34	7.0
	40	IPCA-EX2	0.13	0.08	0.36	0.26	0.36	0.26	4.2
	36	IPCA-EX3	0.15	0.09	0.35	0.26	0.36	0.25	4.1
	-	IPCA-MS	0.11	0.22	0.41	0.28	0.35	0.29	-
	-	IPCA-DP	0.04	0.21	0.37	0.20	0.30	0.23	-
	-	IPCA-P55	0.17	0.18	0.37	0.30	0.23	-	-
-	<b>Diffusion index</b>	<b>47.96</b>	<b>46.15</b>	<b>56.95</b>	<b>52.25</b>	<b>51.23</b>	-	-	

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	Jul-23	Apr-24	May-24	Jun-24	Jul-24
<b>IPCA-15 (monthly)</b>	<b>100.0</b>	<b>-0.07</b>	<b>0.21</b>	<b>0.44</b>	<b>0.39</b>	<b>0.30</b>
<b>Regulated prices</b>	<b>25.9</b>	<b>0.17</b>	<b>0.26</b>	<b>0.85</b>	<b>0.40</b>	<b>0.54</b>
<b>Market-set prices</b>	<b>74.1</b>	<b>-0.15</b>	<b>0.20</b>	<b>0.30</b>	<b>0.38</b>	<b>0.21</b>
Food at home	15.7	-0.72	0.74	0.22	1.13	-0.70
Industrials	22.8	-0.55	0.07	0.29	0.31	0.08
Services	35.6	0.36	0.04	0.34	0.10	0.70
<b>IPCA-15 (12-month)</b>	<b>100.0</b>	<b>3.19</b>	<b>3.77</b>	<b>3.70</b>	<b>4.06</b>	<b>4.45</b>
<b>Regulated prices</b>	<b>26.0</b>	<b>0.18</b>	<b>6.08</b>	<b>5.82</b>	<b>6.27</b>	<b>6.66</b>
<b>Market-set prices</b>	<b>74.0</b>	<b>4.27</b>	<b>3.02</b>	<b>3.01</b>	<b>3.33</b>	<b>3.71</b>
Food at home	16.0	2.24	3.31	2.49	4.49	4.51
Industrials	23.0	3.62	0.33	0.25	0.64	1.27
Services	36.0	5.63	4.68	5.10	4.62	4.97
<b>Core* (monthly)</b>						
IPCA-EX0	58.0	-0.00	0.05	0.32	0.18	0.46
IPCA-EX3	37.0	0.15	0.29	0.28	0.35	0.36
IPCA-MS	-	0.11	0.29	0.32	0.41	0.35
IPCA-DP	-	0.04	0.22	0.30	0.37	0.30
IPCA-P55	-	0.17	0.10	0.34	0.37	0.23
<b>Average**</b>	<b>-</b>	<b>0.09</b>	<b>0.19</b>	<b>0.31</b>	<b>0.34</b>	<b>0.34</b>
<b>Core* (12-month)</b>						
IPCA-EX0	58.0	4.82	2.94	3.15	3.02	3.50
IPCA-EX3	37.0	6.61	3.39	3.19	3.07	3.29
IPCA-MS	-	5.24	4.21	4.05	4.19	4.43
IPCA-DP	-	5.27	3.79	3.57	3.54	3.81
IPCA-P55	-	5.77	3.79	3.63	3.70	3.76
<b>Average**</b>	<b>-</b>	<b>5.54</b>	<b>3.62</b>	<b>3.52</b>	<b>3.50</b>	<b>3.76</b>
<b>Diffusion***</b>						
Diffusion index	-	47.96	54.22	55.31	56.95	51.23

\* 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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