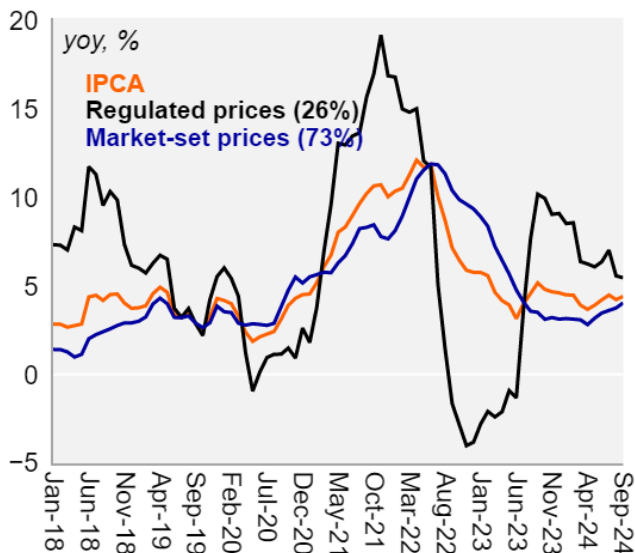


IPCA rose 0.44% in September, slightly below expectations

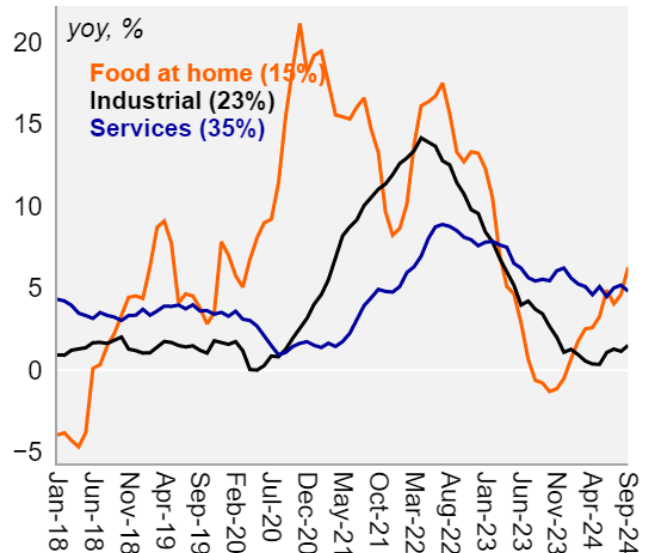
- ▶ September IPCA came in at 0.44%, below both our call (0.46%) and market forecast (0.46%). In 12 months, IPCA rose 4.4%, from 4.2% in August.
- ▶ Compared to our forecast, we highlight the lower-than-expected prints in personal expenses and personal care. Food at home, on the other hand, came in above our forecast. Regarding core metrics, underlying services inflation was in line with our estimates, while underlying industrials below expectations, led by personal hygiene.
- ▶ In the three-month moving average, with seasonally adjusted and annualized data, underlying services inflation declined to 4.8% (from 5.4%), while underlying industrials moved up to 3.0% (from 2.6%). In the same metric, the average of core inflation measures increased to 4.9% (from 4.6%).
- ▶ **Our view:** September IPCA came in slightly below our expectations and continued to show a positive opening, especially due to some downward surprises in underlying industrials. Underlying services continued at a low level, reflecting deflation in cinema tickets and vehicle insurance - both of which were already expected after the IPCA-15 reading. Both 'services related to labor' and 'food away from home' remained well behaved, despite the tight labor market.

IPCA - Market-Set and Regulated Prices



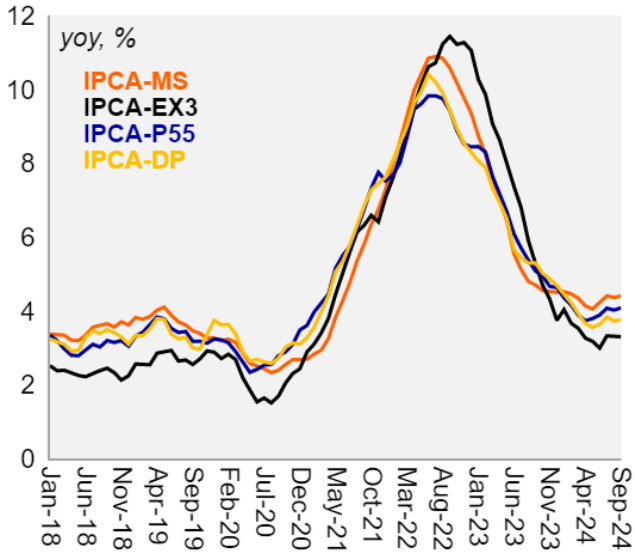
Source: IBGE, Itaú

IPCA - Market-Set Prices



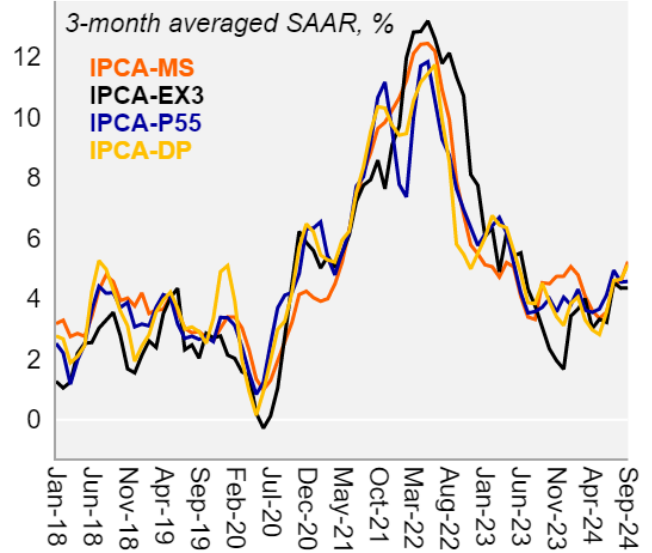
Source: IBGE, Itaú

IPCA - Core



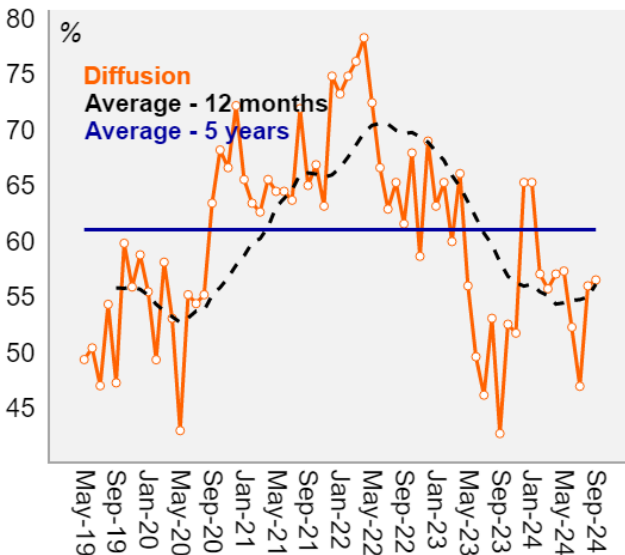
Source: IBGE, Itaú

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



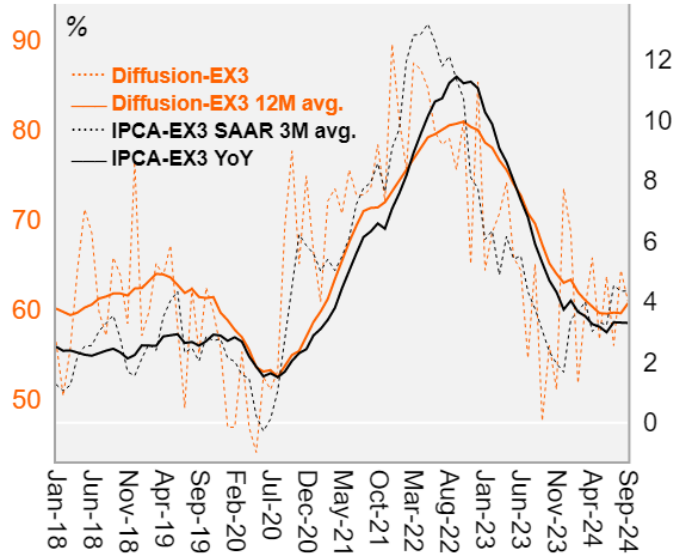
Source: IBGE, Itaú

IPCA - Diffusion Index



Source: IBGE, Itaú

IPCA and diffusion index for EX3 core



Source: IBGE, Itaú

Weight		Sep-2023		Aug-2024		Sep-2024		Proj.	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 núcleos**	-	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 subitems with positive price changes during the month.

Source: IBGE, BCB, Itaú

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