What to Expect from the October IPCA

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The October IPCA will be released on Tuesday, November 11th. We anticipate the headline index to increase by 0.14% MoM, roughly in line with the Street consensus (0.15%) and DAP market (0.14%)*. According to the Bloomberg survey, forecasts range from 0.10% to 0.20% MoM.

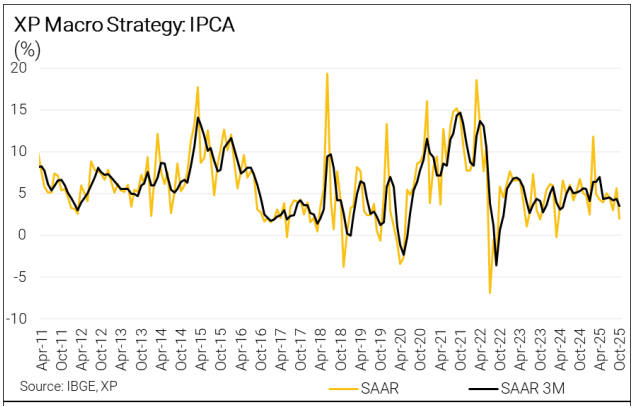
According to the Broadcast+ survey, the market expects the average of the core inflation gauges to rise by 0.29% MoM and underlying services by 0.33%. We project a 0.28% increase for the core inflation average and a 0.34% rise for underlying services. Should our forecast materialize, the three-month seasonally adjusted annualized rate (3M SAAR) for core inflation would contract from 4.3% to 4.0%, while the 3M SAAR for underlying services would decline from 4.8% to 4.4% - bear in mind that we forecast cinema prices at 1.2% MoM. For the labor-intensive services gauge, we anticipate a 0.49% increase, with its 3M SAAR rising to 7.0% from 6.3% in September.

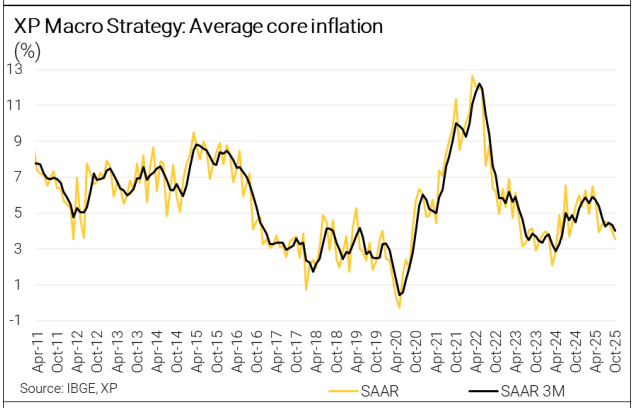
We expect inflation in industrialized goods to accelerate compared to the IPCA-15, driven mainly by household and personal hygiene items—price collections suggest significantly higher prices (~1.5%) for the latter, but we expect a 0.6% MoM increase. On the monitored prices side, we expect a 2.3% drop in energy tariffs, due to the dissipation of the Itaipu bonus payment and the activation of red flag 1. Gasoline prices are expected to moderate to 0.3% from 0.9% in IPCA-15, following Petrobras' readjustment. Finally, food prices should remain virtually stable in October, well below seasonality, but above IPCA-15 figures.

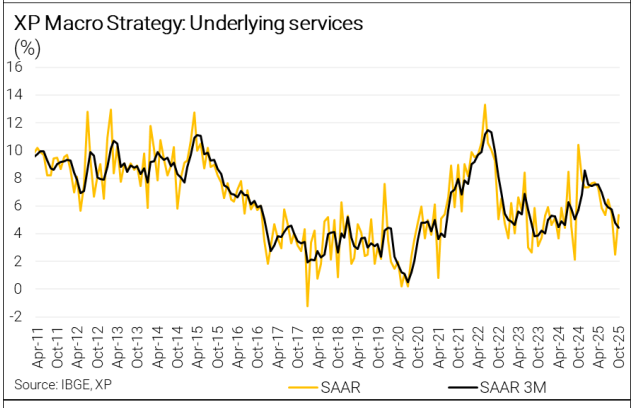
XP - Expectations on October IPCA (%)

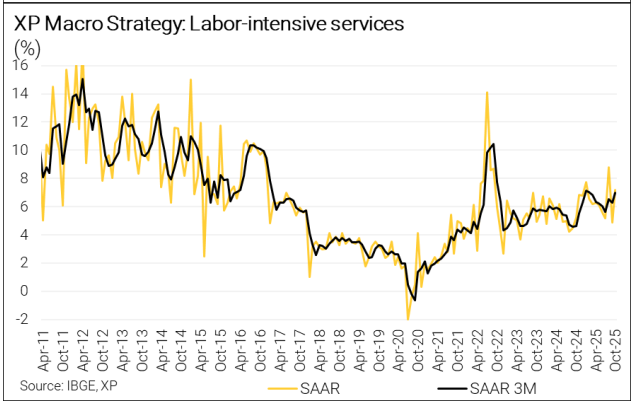
Gauge	XP	Consensus [Median]
IPCA	0.14	0.15
Regulated Prices	-0.10	-0.20
Market-set prices	0.23	0.25
Food at home	-0.01	0.00
Industrials	0.10	0.17
Services	0.42	0.40
Underlying services	0.34	0.33
Avg. Core measures	0.28	0.29

Sources: Bloomberg (market consensus for the headline), Broadcast (market consensus for the breakdown) and XP (projections)









October IPCA (%)

IPCA inflation	XP Forecast
Headline	0.14
Food and beverages	0.06
Food at home	-0.01
Food away from home	0.25
Housing	-0.22
Electricity	-2.30
Articles of residence	-0.46
Clothing	0.47
Transports	0.23
Gasoline	0.30
Health and personal care	0.44
Personal expenses	0.46
Education	0.07
Communication	0.00
Regulated Prices	-0.10
Market-set prices	0.23
Non-durable goods	0.13
Semi-durable goods	0.29
Durable goods	-0.30
Services	0.42
Underliyng Services	0.34
Labor-intensive Services	0.49
Industrials	0.10
Underlying industrials	0.25
Difusion	0.56
IPCA EX0	0.29
IPCA EX3	0.30
IPCA MS	0.31
IPCA DP	0.22
IPCA P55	0.30
*Average core inflation**	0.28

** EX0, EX3, MS, DP e P55*

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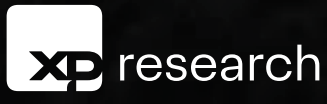
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