What to Expect from the June IPCA

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The June IPCA will be released on Thursday (July 10th) and XP expects it to rise by 0.18%, roughly in line with DAP market* (derivate linked with the IPCA) and consensus (0.20%) - according to the Bloomberg survey, forecasts range from 0.11% to 0.28% MoM.

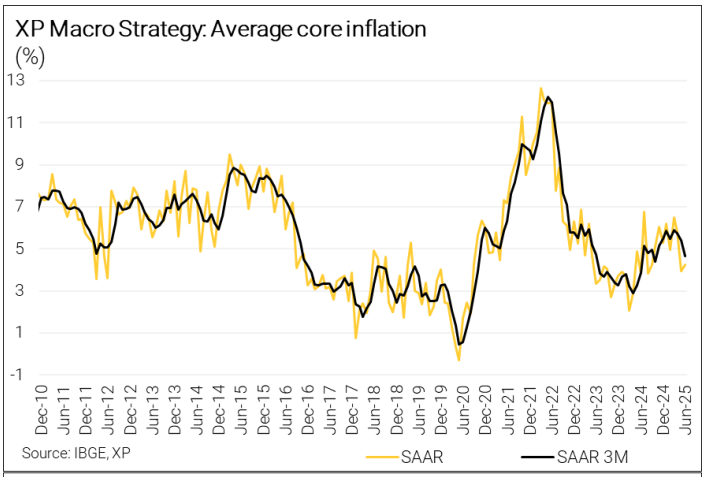
Regarding the underlying measures, according to the projections collected by Broadcast, the market expects the average of the core inflation gauges to advance by 0.28% MoM and underlying services, by 0.41%, while we foresee a 0.25% rise for the former and 0.38% for the latter. If our forecast proves accurate, the 3M SAAR core inflation gauge would drop from 5.4% to 4.7%, while the 3M SAAR of the underlying services would contract from 7.0% to 6.1%. For the labor-intensive services gauge, closely monitored by BCB, we forecast an advance of 0.52%, with its 3M SAAR inching up to 6.4% from 6.3% in May.

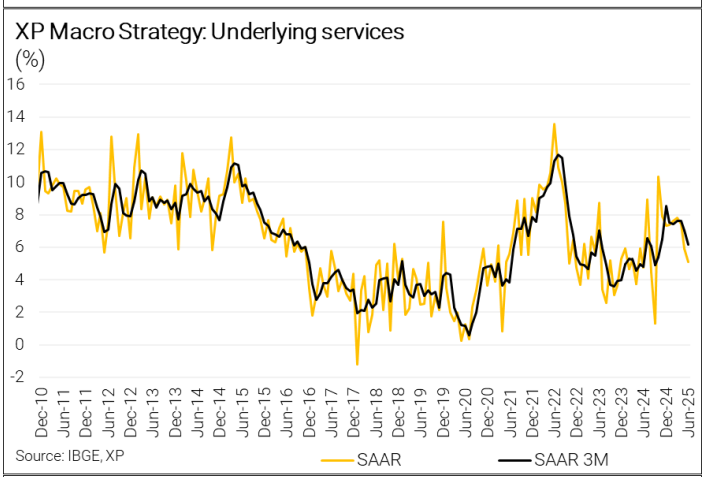
Regarding the main aggregates, 'food at home' prices are expected to ease at the margin, especially fresh foods such as potatoes, vegetables, and fruits. Poultry prices are also expected to decline due to increased domestic supply resulting from trade restrictions (avian flu). We project industrial goods inflation to hover around stability, reflecting the recent BRL appreciation and benign readings in producer prices. There are uncertainties regarding personal hygiene prices (exp. -0.35%) – the price collections we use show further deceleration compared to the IPCA-15, but with quite different intensities. Finally, monitored prices are expected to show mixed signals – energy prices will rise substantially, following the activation of 'red flag 1' on tariffs, while gasoline prices will decrease, after Petrobras' adjustment.

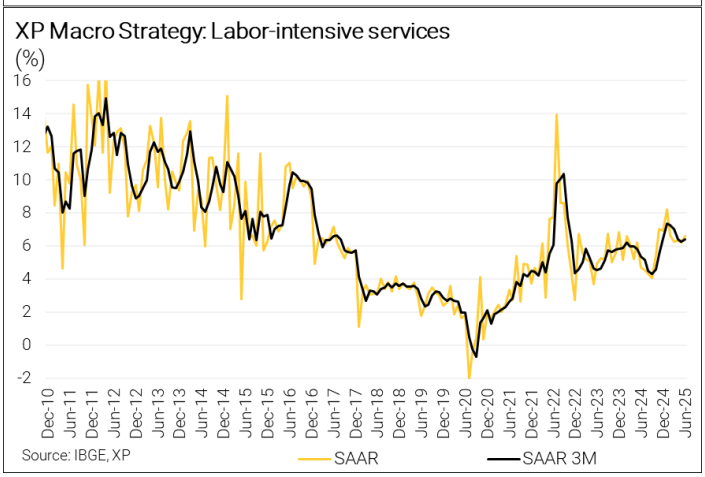
XP - Expectations on June IPCA (%)

Gauge	XP	Consensus [Median]
IPCA	0.18	0.20
Regulated Prices	0.63	0.60
Market-set prices	0.03	0.08
Food at home	-0.54	-0.50
Industrials	0.03	0.11
Services	0.29	0.29
Underlying services	0.38	0.41
Avg. Core measures	0.25	0.28

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







June IPCA (%)

IPCA inflation	XP Forecast
Headline	**0.18**
Food and beverages	-0.26
Food at home	-0.54
Food away from home	0.50
Housing	1.17
Electricity	3.84
Articles of residence	0.16
Clothing	0.43
Transports	-0.07
Gasoline	-0.62
Health and personal care	0.19
Personal expenses	0.27
Education	-0.01
Communication	0.05
Regulated Prices	0.63
Market-set prices	0.03
Non-durable goods	-0.46
Semi-durable goods	0.32
Durable goods	0.10
Services	0.29
Underliyng Services	0.38
Labor-intensive Services	0.52
Industrials	0.03
Underlying industrials	0.12
Difusion	0.57
IPCA EX0	0.19
IPCA EX3	0.27
IPCA MS	0.35
IPCA DP	0.24
IPCA P55	0.20
*Average core inflation**	**0.25**

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

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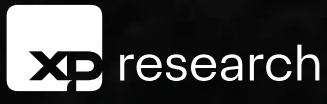
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