What to Expect from the July IPCA

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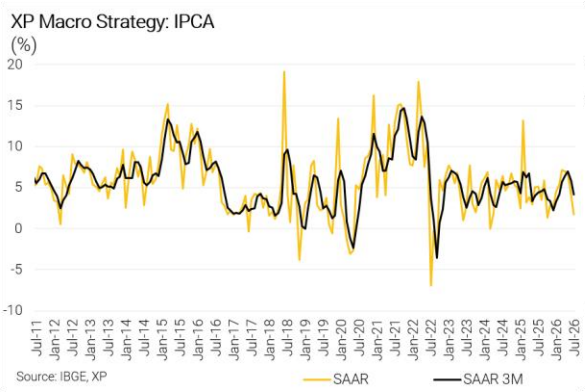
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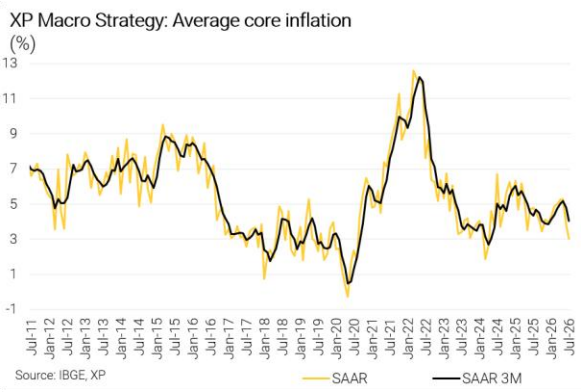
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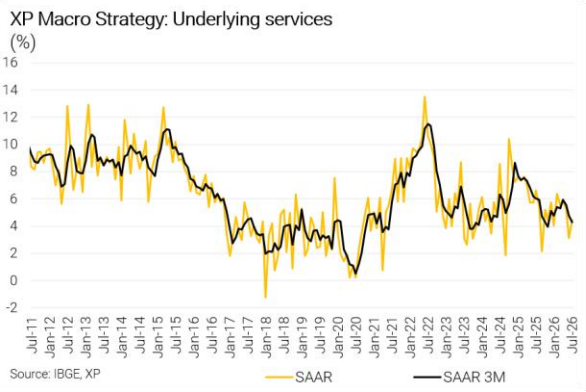
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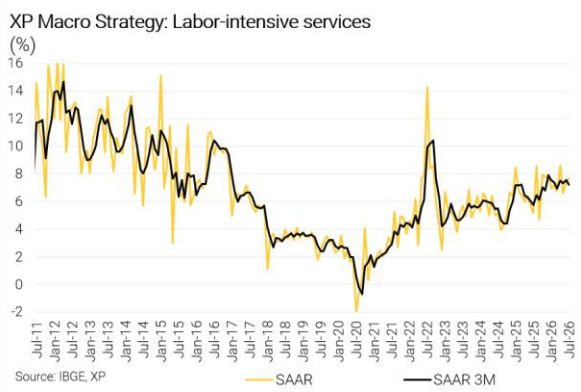
The July IPCA will be published on Tuesday, August 11th. We anticipate the headline index to decrease by 0.02% MoM (4.35% YoY), below what the DAP market* was pricing this afternoon (August 7th) and the Bloomberg consensus (both at 0.01%). Meanwhile, the median of the forecasts sent to Broadcast+ was 0.03%.

Core inflation measures are expected to mirror the benign readings observed in the July IPCA-15 release. According to the Broadcast+ survey, the market expects the average of the core inflation gauges to rise by 0.20% MoM and underlying services by 0.29% MoM. Meanwhile, we project a 0.13% MoM increase for the core inflation average (4.31% YoY) and a 0.32% MoM rise for underlying services (4.82% YoY). Should our forecast materialize, the three-month seasonally adjusted annualized rate (3M SAAR) for core inflation would decline from 4.8% to 4.0%, while the 3M SAAR for underlying services would drop from 4.8% to 4.3%. For the labor-intensive services gauge, we anticipate a 0.52% increase, with its 3M SAAR declining to 7.2%, from 7.6% in the previous reading.









The main drivers behind the renewed deceleration of the IPCA on a MoM basis will be **food at home**, with widespread declines — particularly in fresh food (-5.5% vs. -0.3%) — and **industrial goods**, driven by decreases in durable goods and personal care items.

Regulated prices are expected to remain broadly stable compared with the last reading (0.28% MoM), as the increase in electricity resulting from tariff adjustments will be offset by lower gasoline prices, due to reduced anhydrous ethanol prices at mills.

Services, on the other hand, are set to move in the opposite direction, with increases in airfares and food away from home. Part of this acceleration will be tempered by declines in voluntary vehicle insurance, personal services, and travel-related expenses.

We see risks as balanced: the decline in food at home may have been front-loaded in June, potentially resulting in a smaller-than-expected drop in July. On the downside, gasoline and personal care items could decline further, while services may intensify their moderation.

XP - Expectations on July IPCA (%)

Gauge	XP	Consensus [Median]
IPCA	-0.02	0.01* / 0.03**
Regulated Prices	0.28	0.38
Market-set prices	-0.13	-0.10
Food at home	-1.31	-1.28
Industrials	-0.19	-0.05
Services	0.42	0.40
Underlying services	0.32	0.29
Avg. Core measures	0.13	0.20

*Bloomberg; **Broadcast

Sources: Bloomberg, Broadcast and XP

July IPCA	MoM		YoY	
IPCA inflation	Jun-26	Jul-26	Jun-26	Jul-26
Headline	**0.16**	**-0.02**	**4.64**	**4.35**
Food and beverages	-0.24	-0.80	3.80	3.25
Food at home	-0.39	-1.31	3.01	2.37
Food away from home	0.15	0.52	5.88	5.51
Housing	0.63	0.91	5.86	5.86
Electricity	1.53	2.66	8.81	8.40
Articles of residence	0.23	0.22	0.69	0.82
Clothing	0.17	-0.53	4.00	4.01
Transports	0.17	0.02	3.96	3.63
Gasoline	-0.12	-1.06	5.66	5.08
Health and personal care	0.23	0.06	6.21	5.80
Personal expenses	0.25	0.18	5.80	5.18
Education	-0.02	-0.01	6.34	6.31
Communication	0.19	-0.01	1.82	1.90
Regulated Prices	0.29	0.28	5.52	5.12
Market-set prices	0.11	-0.13	4.32	4.06
Non-durable goods	-0.26	-0.96	3.75	3.10
Semi-durable goods	0.18	-0.34	2.67	2.84
Durable goods	0.15	-0.04	0.76	0.86
Services	0.34	0.42	5.90	5.73
Underliyng Services	0.22	0.32	5.00	4.82
Labor-intensive Services	0.55	0.52	7.13	7.33
Industrials	0.11	-0.19	2.74	2.59
Underlying industrials	0.22	-0.17	4.14	3.90
Difusion	0.54	0.40	0.59	0.58
IPCA EX0	0.25	0.19	4.67	4.51
IPCA EX3	0.22	0.11	4.64	4.43
IPCA MS	0.24	0.22	3.61	3.53
IPCA DP	0.15	0.12	4.01	3.87
IPCA P55	0.18	0.00	4.54	4.35
*Average core inflation**	**0.21**	**0.13**	**4.46**	**4.31**

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

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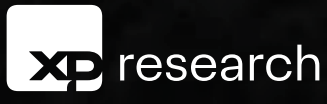
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