What to Expect from the July IPCA

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The July IPCA will be released on Tuesday (August 12th) and XP and the market expect it to rise by 0.36%, a tad above DAP market (derivative linked with the IPCA), which prices 0.32%-0.33%*. According to the Bloomberg survey, forecasts range from 0.27% to 0.40% MoM.

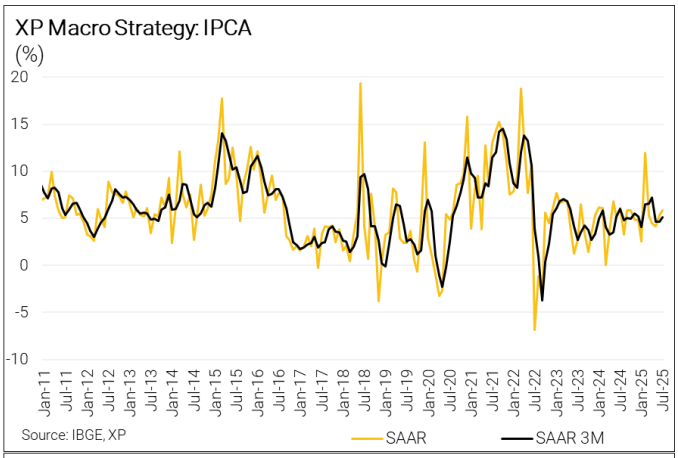
Regarding the underlying measures, according to the projections collected by Broadcast, the market expects the average of the core inflation gauges to advance by 0.31% MoM and underlying services, by 0.44%, while we foresee a 0.31% rise for the former and 0.47% for the latter. If our forecast proves accurate, the 3M SAAR core inflation gauge would drop from 4.8% to 4.6%, while the 3M SAAR of the underlying services would contract from 6.4% to 6.1%. For the labor-intensive services gauge, closely monitored by BCB, we forecast an advance of 0.29%, with its 3M SAAR declining to 5.6% from 6.0% in June.

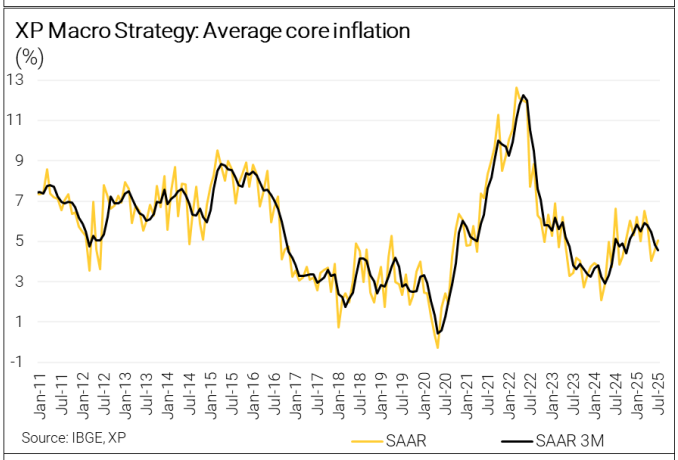
On the hawkish side, prices of monitored goods are expected to accelerate due to adjustments in electricity tariff in São Paulo state (exp. 3.2% MoM) and in lottery prices (exp. 12.5% MoM). On the dovish one, 'food at home' prices should decline 0.47% MoM, especially driven by fresh foods. Similarly, prices of durable goods are expected to decline, reflecting recent exchange rate appreciation and benign wholesale prices. Regarding industrial goods, we highlight cigarette price adjustments (2% MoM) and a material increase in personal hygiene price collections – we project a 1.2% MoM rise. Finally, it is worth noting that July's reading is also influenced by the acceleration in airfare prices (19.9% MoM).

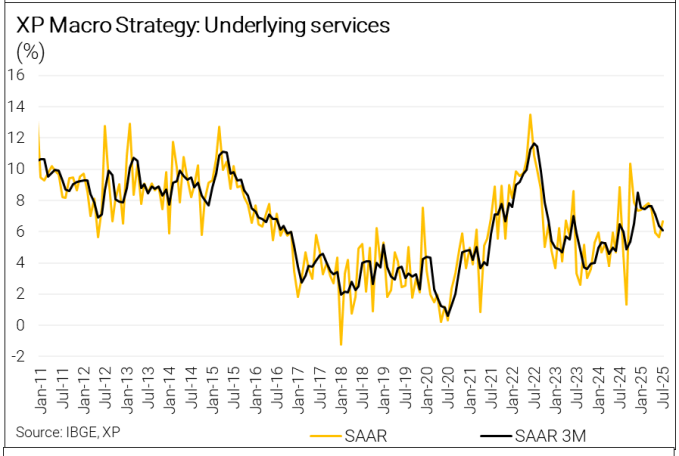
XP - Expectations on July IPCA (%)

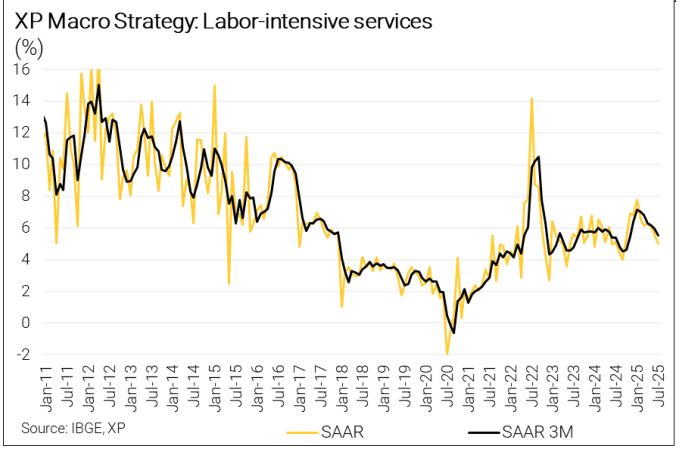
Gauge	XP	Consensus [Median]
IPCA	0.36	0.36
Regulated Prices	0.73	0.74
Market-set prices	0.24	0.23
Food at home	-0.47	-0.45
Industrials	0.03	0.07
Services	0.68	0.61
Underlying services	0.47	0.44
Avg. Core measures	0.31	0.31

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









July IPCA (%)

IPCA inflation	XP Forecast
Headline	0.36
Food and beverages	-0.09
Food at home	-0.47
Food away from home	0.90
Housing	0.97
Electricity	3.17
Articles of residence	-0.08
Clothing	-0.19
Transports	0.51
Gasoline	-0.63
Health and personal care	0.35
Personal expenses	0.90
Education	0.02
Communication	0.07
Regulated Prices	0.73
Market-set prices	0.24
Non-durable goods	-0.19
Semi-durable goods	-0.13
Durable goods	-0.16
Services	0.68
Underliyng Services	0.47
Labor-intensive Services	0.29
Industrials	0.03
Underlying industrials	0.13
Difusion	0.46
IPCA EX0	0.43
IPCA EX3	0.33
IPCA MS	0.29
IPCA DP	0.31
IPCA P55	0.20
*Average core inflation**	0.31

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

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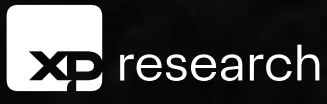

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