

January's IGP-M: Highest Print Since June 2021

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- January's IGP-M registered a 1.82% MoM increase (+16.9% YoY), below our forecast (1.90%) and market consensus (1.98% Bloomberg).
- IPA-Agro posted a 1.77% MoM (18.8% YoY) increase. Grain prices continue to climb as dry conditions in the southern parts of Brazil and Argentina trim the outlook for soybean and corn.
- IPA-Industrial posted a 2.52% MoM (19.5% YoY) increase. This is the negative highlight because industrial goods inflation in IPCA is expected to decelerate in 2022, but with prices at the wholesale/producer level accelerating, the outlook for those goods in IPCA becomes foggy.
- Our tracking is at 6.2% for IGP-M in 2022, but we do recognize upside risks.

January's IGP-M registered a 1.82% MoM increase (+16.9% YoY), below our forecast (1.90%) and market consensus (1.98% BBG). The 1.82% monthly change is a high number in seasonal terms (average for January is 0.73%), pushing the 3mma-saar measure higher to 10.4% from 4.5%, but slowing the YoY downward trend.

IPA-Agro posted a 1.77% MoM (18.8% YoY) increase. Grain prices continue to climb as dry conditions in the southern parts of Brazil and Argentina trim the production outlook for soybean and corn. Rains are expected in the coming weeks, which could bring some relief for these crops. The 3mma-saar measure accelerated to 6.2% from -8.5%, continuing the YoY reversal, now at 18.8%, up from 16.6%.

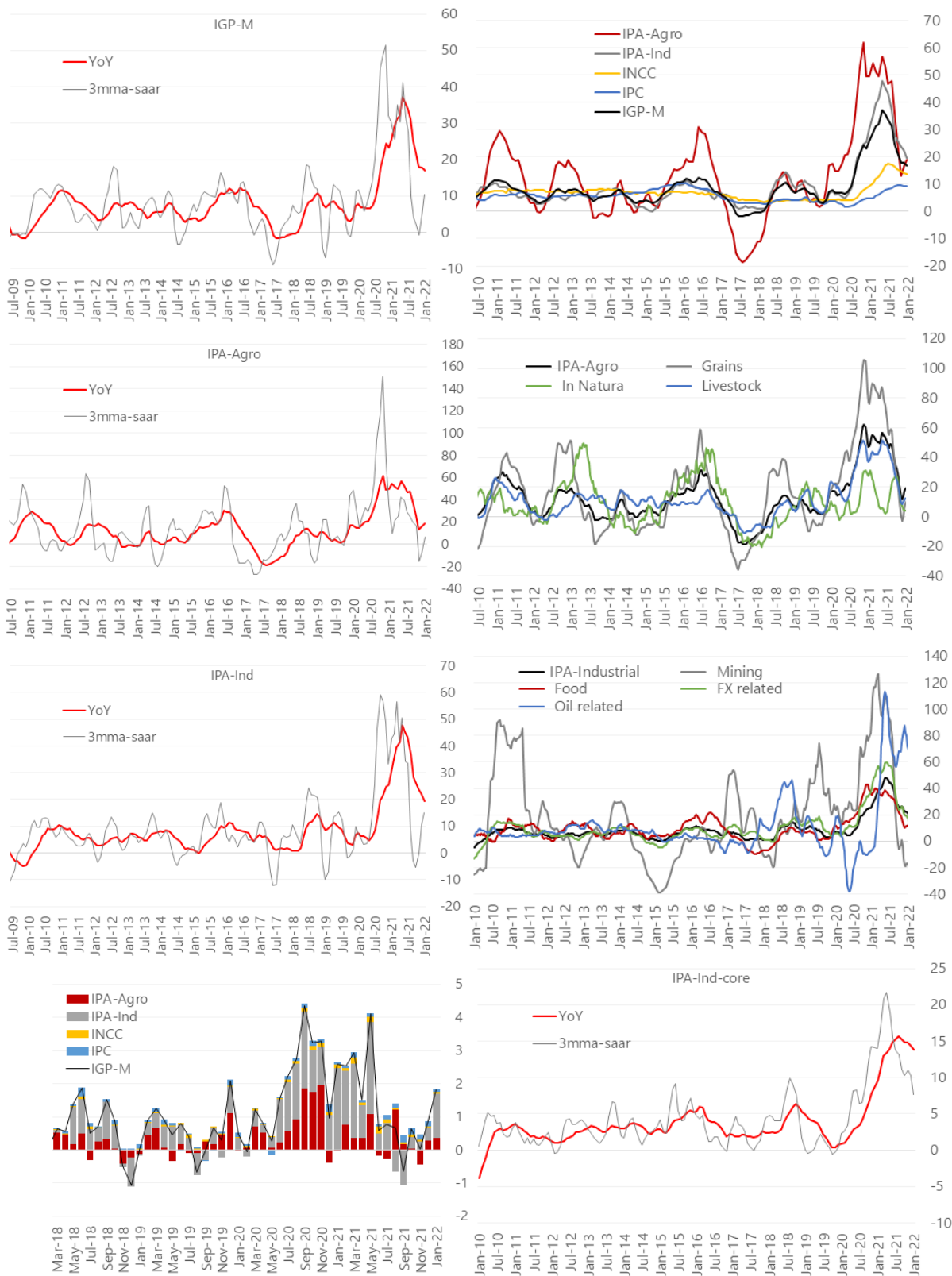
IPA-Industrial posted a 2.52% MoM (19.5% YoY) increase. Mining inflation continues to be high (15.6% MoM), with iron ore prices leading the increase (+7.6% MoM) on expectations that base metals demand will pick up this year due to Chinese government efforts (read stimulus) to stabilize the economy. The IPA-Industrial downward trend in the 3mma-saar measure shifted dramatically, accelerating to 15.1% from 10.5%. This is the negative highlight because industrial goods inflation in IPCA is expected to decelerate in 2022, but with prices at the wholesale/producer level accelerating, the outlook for those goods in IPCA becomes foggy. However, we acknowledge that the core-IPA-Industrial (which is calculated as IPA Industrial ex-iron ore, ex-food, ex-medicines, ex-fuels, and which is more correlated with industrial goods in IPCA) again saw relief at the margin, enough to bring the 3mma-saar measure to 7.6% from 10.3% (but it has continued to hover around 13% YoY since 2021 mid-year).

All in all, January's IGP-M was an unfavorable reading. It was the highest print since June 2021's IGP-10 (2.32%). While we still see a downward trajectory for IGPs YoY, near-term shocks in grain prices (owing to drought conditions for LatAm crops) and the rise in base metals prices, alongside still complicated supply chain logistics, could mean headwinds for the continued slow disinflationary process ahead.

Our tracking is at 6.2% for IGP-M 2022, but we do recognize upside risks.



Figure 1. IGP-M, Groups and Qualitative Measures



Sources for all charts: FGV and Santander.



Figure 2. IGP Chained %MoM and IGP Chained %YoY

	Nov-21			Dec-21			Jan-22		
IGP chained %MoM	IGP-10	IGP-M	IGP-DI	IGP-10	IGP-M	IGP-DI	IGP-10	IGP-M	IGP-DI
IGP	1.19	0.02	-0.58	-0.14	0.87	1.25	1.79	1.82	
IPA	1.31	-0.29	-1.16	-0.51	0.95	1.54	2.27	2.30	
IPA-Agro	-1.56	-2.13	-1.71	-0.11	1.27	1.54	1.49	1.77	
Grains	-2.48	-3.55	-4.23	-3.92	-1.79	0.37	2.64	4.29	
In Natura	-0.02	-1.95	-2.33	-1.04	0.35	1.27	2.43	0.77	
Livestock	-5.02	-4.57	-2.22	1.64	2.91	1.69	-0.67	-1.24	
IPA-Industrial	2.53	0.47	-0.93	-0.67	0.82	1.54	2.59	2.52	
Mining	1.17	-13.15	-21.02	-15.95	0.41	14.72	20.60	15.66	
Food	0.39	-0.10	-0.83	-0.23	0.70	0.75	1.37	1.38	
FX related	2.52	-1.79	-4.05	-3.02	0.45	3.19	5.05	4.53	
Oil related	8.59	8.56	6.52	4.59	2.98	-0.82	-1.01	0.05	
INCC	0.95	0.71	0.67	0.54	0.30	0.35	0.50	0.64	
IPC	0.79	0.93	1.08	1.08	0.84	0.57	0.40	0.42	

	Nov-21			Dec-21			Jan-22		
IGP chained %YoY	IGP-10	IGP-M	IGP-DI	IGP-10	IGP-M	IGP-DI	IGP-10	IGP-M	IGP-DI
IGP	19.78	17.89	17.16	17.30	17.78	17.74	17.82	16.91	
IPA	23.06	20.51	19.61	19.72	20.57	20.64	20.50	19.32	
IPA-Agro	16.83	13.09	11.78	13.44	16.65	18.80	19.78	18.81	
Grains	4.81	-0.52	-2.99	-1.17	4.63	8.83	10.87	9.69	
In Natura	11.24	8.37	7.02	5.24	4.05	4.17	3.84	2.67	
Livestock	11.91	9.07	8.54	10.05	11.32	12.54	12.38	11.65	
IPA-Industrial	25.77	23.77	23.10	22.48	22.22	21.39	20.80	19.52	
Mining	-3.52	-13.53	-18.54	-18.98	-16.63	-16.44	-17.44	-19.98	
Food	14.58	12.14	10.39	10.97	11.41	11.80	12.36	12.68	
FX related	25.23	21.84	20.44	19.53	19.25	18.35	17.08	14.59	
Oil related	80.02	83.37	87.66	82.27	79.84	72.14	69.56	69.26	
INCC	14.86	14.69	14.25	14.20	14.03	13.85	13.91	13.70	
IPC	9.84	9.73	9.89	9.63	9.32	9.34	9.42	9.33	

Sources for all charts: FGV and Santander.



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