

## June's IGP-M: Commodities Relief; BRL Depreciation

**Felipe Kotinda\***  
felipe.kotinda@santander.com.br  
+5511 3553 8071

**Daniel Karp\***  
daniel.karp@santander.com.br  
+5511 3553 9828

- June's IGP-M registered a 0.59% MoM change (10.4% YoY), below our call (0.64%) and the consensus forecast (0.70%).
- IPA-Agro decreased 0.61% MoM, with the trend plunging to 5.2% from 10.9% 3MMA-saar, well below the 12.2% YoY reading.
- IPA-Industrial increased 0.67% MoM, bringing the trend to 13.6% from 14.6% 3MMA-saar, above the 10.1% YoY print. Oil-related items continued to increase (3.3% MoM).
- IPA-Industrial core gauge was stable at the margin and remains below the YoY reading.
- Our tracking is at 11.7% for IGP-M 2022, but we do recognize upside risks.

**June's IGP-M registered a 0.59% MoM change (10.4% YoY), below our call (0.64%) and the consensus forecast (0.70%).** 0.59% MoM is below the average for June (0.73%). The headline trend decelerated to 14.2% from 15.3% 3MMA-saar, above the YoY change.

**IPA-Agro decreased 0.61% MoM, with the trend plunging to 5.2% from 10.9% 3MMA-saar, well below the 12.2% YoY reading.** Grains decreased -0.6% amid recessions fears that have dent commodity prices in general. Prospects of better weather in the farm belt in the US also provided some relief. In Natura (fresh/natural) products prices continued to decrease (-2.6% MoM). Meanwhile, livestock prices decelerated a bit, with pork falling -6.3% MoM and cattle -3.3% MoM.

**IPA-Industrial increased 0.67% MoM, bringing the trend to 13.6% from 14.6% 3MMA-saar, above the 10.1% YoY print. Oil-related items continued to increase (3.3% MoM).** Oil prices fell until June 22, but since then it has been climbing strong, with Brent back to USD 119. Additionally, the BRL sold off further in this period. Finally, iron ore prices followed a similar path, falling until June 22 but climbing in the past week. China continues to battle fresh COVID-19 flare ups with renewed restrictions, with signals still mixed on when the country will ease curbs, a headwind not only for iron ore but for metals in general.

**IPA-industrial core gauge was stable at the margin and remains below the YoY reading.** This is important because the IPA-industrial core gauge (which excludes iron ore, food, medicines, and fuels from the IPA-industrial headline) is more correlated with the industrial goods group in IPCA (durable goods in general), so it is more optimistic (or less pessimistic) news for IPCA. Indeed, industrial goods in IPCA seem to have peaked in the last reading.

**All in all, IGP's prospects remain foggy given the BRL's volatility, the geopolitical shock from the Russia-Ukraine conflict, the supply chain risks and now the growing fears of a slowdown in global activity.** For the coming readings, grains are downside risks, while oil and the recent sell-off in BRL are upside risks that could further pressure industrial goods. IGP-M is running at 8.1% YTD.

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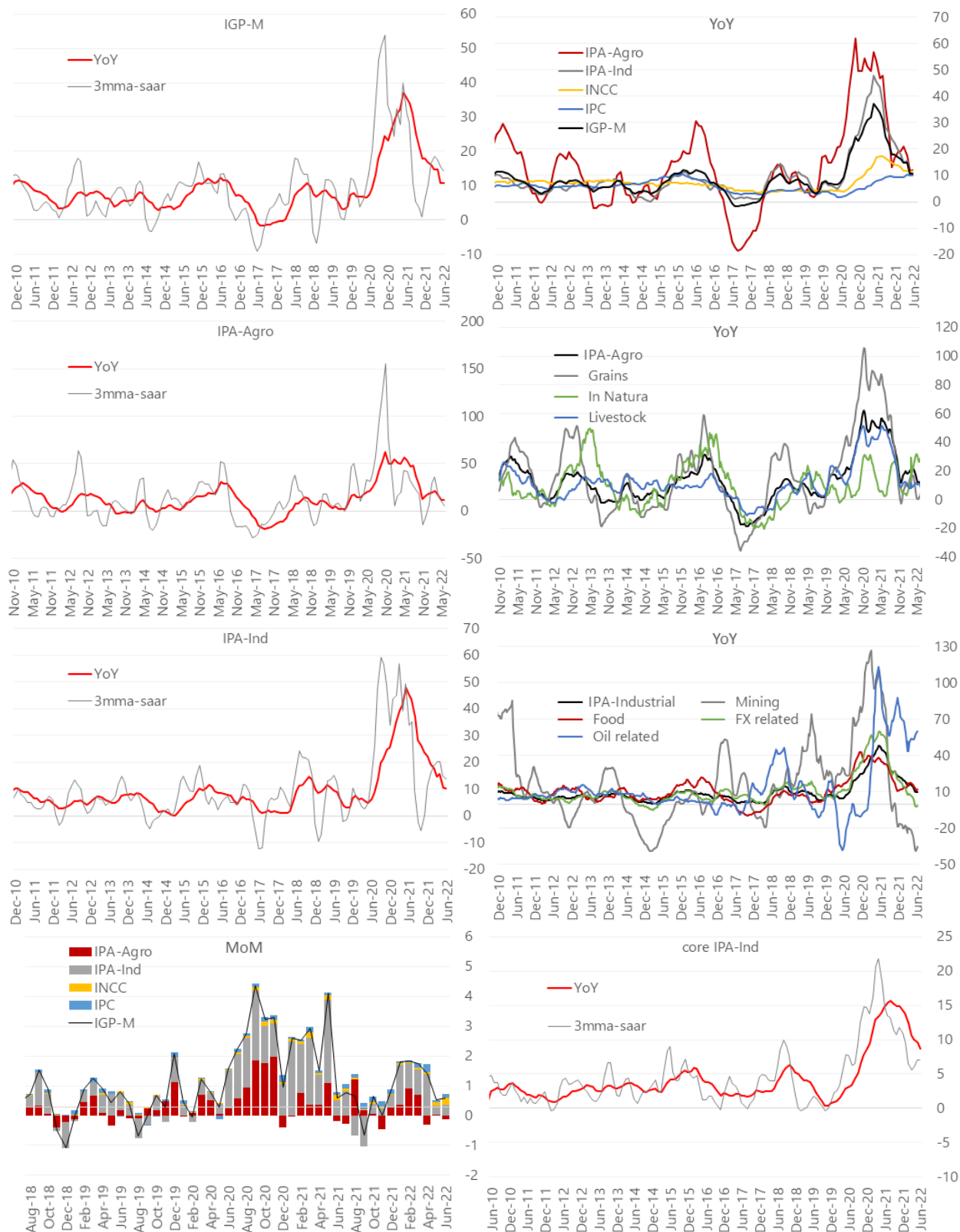
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**Our tracking is at 11.7% for IGP-M 2022, but we do recognize upside risks.**



Figure 1. IGP-M, Groups and Qualitative Measures



Sources for all charts: FGV and Santander.



Figure 2. IGP-M, Groups and Qualitative Measures (continuation)

IGP chained %MoM	Apr-22			May-22			Jun-22		
	IGP-10	IGP-M	IGP-DI	IGP-10	IGP-M	IGP-DI	IGP-10	IGP-M	IGP-DI
<b>IGP</b>	<b>2.48</b>	<b>1.41</b>	<b>0.41</b>	<b>0.10</b>	<b>0.52</b>	<b>0.69</b>	<b>0.74</b>	<b>0.59</b>	
<b>IPA</b>	<b>2.81</b>	<b>1.45</b>	<b>0.19</b>	<b>-0.08</b>	<b>0.45</b>	<b>0.55</b>	<b>0.47</b>	<b>0.30</b>	
<b>IPA-Agro</b>	<b>0.90</b>	<b>-1.36</b>	<b>-2.34</b>	<b>-1.59</b>	<b>0.16</b>	<b>0.68</b>	<b>-0.04</b>	<b>-0.61</b>	
Grains	-1.14	-6.40	-8.05	-4.82	-0.18	1.72	0.40	-0.66	
In Natura	9.84	6.12	2.63	-1.87	-5.49	-7.34	-6.08	-2.61	
Livestock	4.24	4.57	3.22	1.58	0.76	0.34	-0.47	-0.86	
<b>IPA-Industrial</b>	<b>3.61</b>	<b>2.62</b>	<b>1.24</b>	<b>0.54</b>	<b>0.57</b>	<b>0.50</b>	<b>0.67</b>	<b>0.67</b>	
Mining	0.77	-1.45	-3.36	-3.17	-4.10	-4.10	-2.46	-0.29	
Food	3.04	1.94	0.31	-0.20	-0.39	-0.82	-0.77	-0.54	
FX related	1.86	1.28	0.70	0.47	0.52	0.14	0.25	0.27	
Oil related	16.34	11.14	4.31	0.65	1.85	2.97	3.88	3.37	
<b>INCC</b>	<b>1.17</b>	<b>0.87</b>	<b>0.95</b>	<b>0.74</b>	<b>1.49</b>	<b>2.28</b>	<b>3.29</b>	<b>2.81</b>	
<b>IPC</b>	<b>1.67</b>	<b>1.53</b>	<b>1.08</b>	<b>0.54</b>	<b>0.35</b>	<b>0.50</b>	<b>0.72</b>	<b>0.71</b>	

IGP chained %YoY	Apr-22			May-22			Jun-22		
	IGP-10	IGP-M	IGP-DI	IGP-10	IGP-M	IGP-DI	IGP-10	IGP-M	IGP-DI
<b>IGP</b>	<b>15.6</b>	<b>14.7</b>	<b>13.5</b>	<b>12.1</b>	<b>10.7</b>	<b>10.6</b>	<b>10.4</b>	<b>10.7</b>	
<b>IPA</b>	<b>17.5</b>	<b>16.1</b>	<b>14.5</b>	<b>12.7</b>	<b>10.8</b>	<b>10.5</b>	<b>10.3</b>	<b>10.7</b>	
<b>IPA-Agro</b>	<b>20.0</b>	<b>17.4</b>	<b>14.9</b>	<b>12.5</b>	<b>11.9</b>	<b>12.2</b>	<b>11.4</b>	<b>12.2</b>	
Grains	11.9	6.2	1.5	0.6	0.4	1.4	2.2	5.1	
In Natura	29.6	30.7	31.9	30.8	27.4	26.3	28.0	30.2	
Livestock	11.5	11.9	10.8	10.2	10.8	10.8	9.6	7.9	
<b>IPA-Industrial</b>	<b>16.5</b>	<b>15.6</b>	<b>14.3</b>	<b>12.7</b>	<b>10.4</b>	<b>9.8</b>	<b>9.8</b>	<b>10.1</b>	
Mining	-19.7	-21.9	-26.1	-30.4	-37.0	-38.8	-37.4	-35.6	
Food	17.3	17.2	15.7	14.5	13.6	11.9	11.3	11.8	
FX related	8.9	6.9	5.3	2.8	-1.0	-2.0	-1.9	-1.6	
Oil related	52.0	53.7	52.9	53.1	55.1	57.7	59.2	60.3	
<b>INCC</b>	<b>11.6</b>	<b>11.5</b>	<b>11.5</b>	<b>11.3</b>	<b>11.2</b>	<b>11.6</b>	<b>11.8</b>	<b>11.8</b>	
<b>IPC</b>	<b>10.1</b>	<b>10.4</b>	<b>10.6</b>	<b>10.3</b>	<b>10.1</b>	<b>10.3</b>	<b>10.3</b>	<b>10.2</b>	

Sources for all charts: FGV and Santander.



## CONTACTS / IMPORTANT DISCLOSURES

### Brazil Macro Research

Ana Paula Vescovi*	Chief Economist	anavescovi@santander.com.br	5511-3553-8567
Mauricio Oreng*	Head of Macro Research	mauricio.oreng@santander.com.br	5511-3553-5404
Jankiel Santos*	Economist – External Sector	jankiel.santos@santander.com.br	5511-3012-5726
Ítalo Franca*	Economist – Fiscal Policy	italo.franca@santander.com.br	5511-3553-5235
Daniel Karp Vasquez*	Economist – Inflation	daniel.karp@santander.com.br	5511-3553-9828
Tomas Urani*	Economist – Global Economics	tomas.urani@santander.com.br	5511-3553-9520
Lucas Maynard*	Economist – Economic Activity	lucas.maynard.da.silva@santander.com.br	5511-3553-7495
Felipe Kotinda*	Economist – Commodities	felipe.kotinda@santander.com.br	5511-3553-8071
Gabriel Couto*	Economist – Special Projects	gabriel.couto@santander.com.br	5511-3553-8487
Fabiana Moreira*	Economist – Credit	fabiana.de.oliveira@santander.com.br	5511-3553-6120
Gilmar Lima*	Economist – Modeling	gilmar.lima@santander.com.br	5511-3553-6327

### Global Macro Research

Maciej Reluga*	Head Macro, Rates & FX Strategy – CEE	maciej.reluga@santander.pl	48-22-534-1888
Juan Cerruti *	Senior Economist – Argentina	jcerruti@santander.com.ar	54 11 4341 1272
Ana Paula Vescovi*	Economist – Brazil	anavescovi@santander.com.br	5511-3553-8567
Juan Pablo Cabrera*	Economist – Chile	jcabrera@santander.cl	562-2320-3778
Guillermo Aboumrad*	Economist – Mexico	gjaboumrad@santander.com.mx	5255-5257-8170
Piotr Bielski*	Economist – Poland	piotr.bielski@santander.pl	48-22-534-1888
Mike Moran	Head of Macro Research, US	mike.moran@santander.us	212-350-3500

### Fixed Income Research

Juan Arranz*	Chief Rates & FX Strategist – Argentina	jarranz@santanderrio.com.ar	5411-4341-1065
Mauricio Oreng*	Senior Economist/Strategist – Brazil	mauricio.oreng@santander.com.br	5511-3553-5404
Juan Pablo Cabrera*	Chief Rates & FX Strategist – Chile	jcabrera@santander.cl	562-2320-3778

### Equity Research

Miguel Machado*	Head Equity Research Americas	mmachado@santander.com.mx	5255 5269 2228
Alan Alanis*	Head, Mexico	aalanis@santander.com.mx	5552-5269-2103
Andres Soto	Head, Andean	asoto@santander.us	212-407-0976
Claudia Benavente*	Head, Chile	claudia.benavente@santander.cl	562-2336-3361
Walter Chiarvesio*	Head, Argentina	wchiarvesio@santanderrio.com.ar	5411-4341-1564
Mariana Cahen Margulies*	Head, Brazil	mmargulies@santander.com.br	5511-3553-1684

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