



April's IPCA-15: A Downward Surprise, Though the Picture Is Still Unfavorable

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- April's IPCA-15 registered a 1.73% MoM change, below our call (1.90%) and the consensus expectation (1.84%). In year-over-year terms, the IPCA-15 accelerated to 12.0%, which we believe should mark the peak of IPCA-15 inflation.
- The main downward surprise was in administered prices, contributing -12 bps to the headline error. More specifically, gasoline prices rose 7.5% MoM vs. 10.0% estimated, making it the item that most contributed to the surprise.
- On a less negative note, industrial goods' headline trend did not accelerate, and its core gauge even saw a bit of relief. Moreover, services core trend at least did not accelerate further also.
- However, broad qualitative measures worsened even more at the margin. The average of the main core measures accelerated from 10.4% to 11.5% 3MMA-saar, reaching a new high. Finally, the diffusion index rose even more, to 74.4% (seasonally adjusted), close to its highs.
- All in all, this reading reinforces our concerns about the inflation outlook. We still project that a clear peak should come around April 22/May 2022, but the level and composition of inflation are likely to remain sources of concern, just as the latest shock from commodity prices is a new risk, keeping the balance of risks tilted to the upside (i.e., higher inflation).

April's IPCA-15 registered a 1.73% MoM change, below our call (1.90%) and the consensus expectation (1.84%). In year-over-year terms, the IPCA-15 accelerated to 12.0%, which should be the peak of IPCA-15 inflation.

The main downward surprise was in administered prices, contributing -12 bps to the headline error. More specifically, gasoline prices rose 7.5% MoM (vs 10.0% estimated), making it the main downward surprise. Regarding free prices, food-at-home contributed +3 bps to the headline forecast error, while industrial goods contributed -8 bps. For the latter, "personal care" (a very volatile group) was the main driver to the downside. Industrial goods' trend remains very high, but, with a less negative tone, its core gauge decelerated a bit, from 20% to 17% 3MMA-saar. Meanwhile, services came in line with our expectation. Services' trend is also still worrying, but its core gauge at least did not accelerate further.

Broad qualitative measures worsened even more at the margin. The average of the main core measures accelerated from 9.5% to 10.3% 3MMA-saar, reaching a new high. Finally, the diffusion index continued to rebound, returning to 74.4% (seasonally adjusted), quite close to the highs.

All in all, this is another unfavorable print that reinforces our difficult outlook for inflation, but we maintain our view that we are close to the peak of IPCA in YoY terms. We still expect a clear peak in April/May 2022, but the level and composition of inflation is likely to remain a source of concern, keeping the upside risk for the year-end forecast. Despite the downward surprise, we revised our IPCA 2022 tracking upward because of recent announcements of higher-than-expected tariff adjustments in electricity. IPCA 2022 tracking is now at 8.3% (from 8.0% before). We also revised IPCA 2023 tracking to 4.2% (from 4.0%), on the back of inertial effects.

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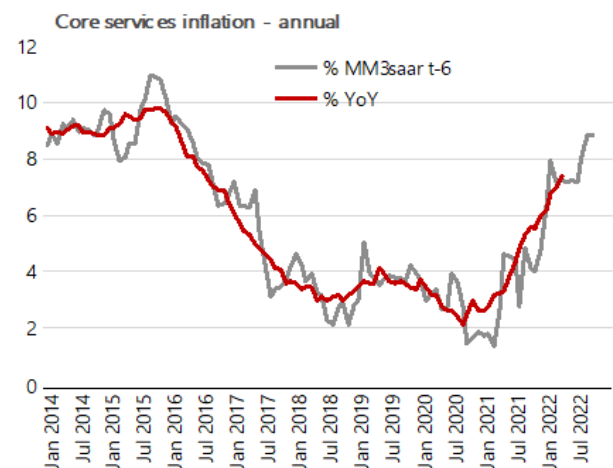
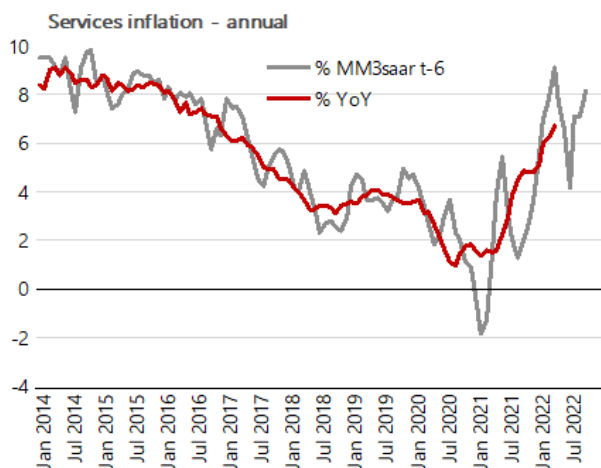
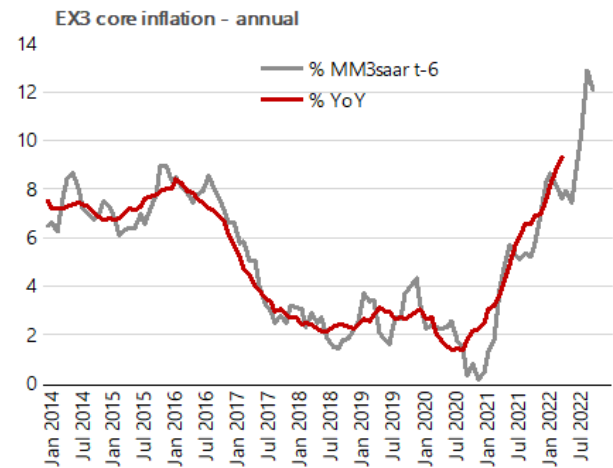
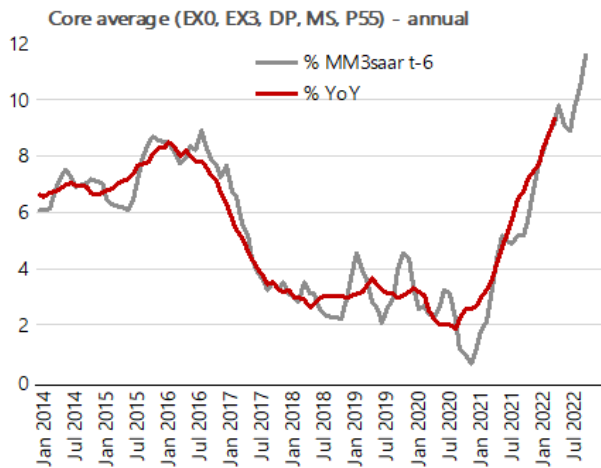
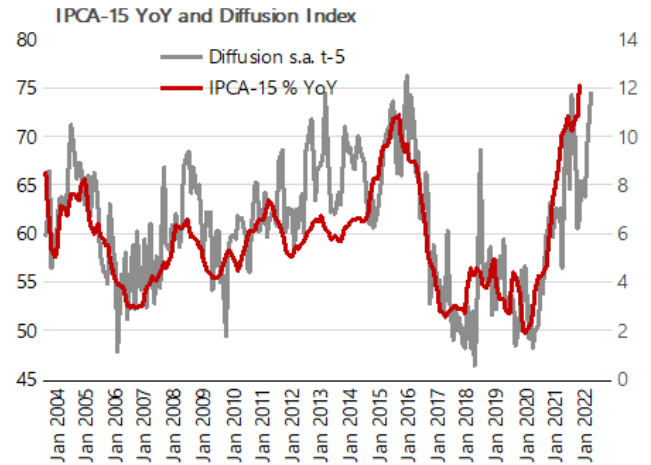
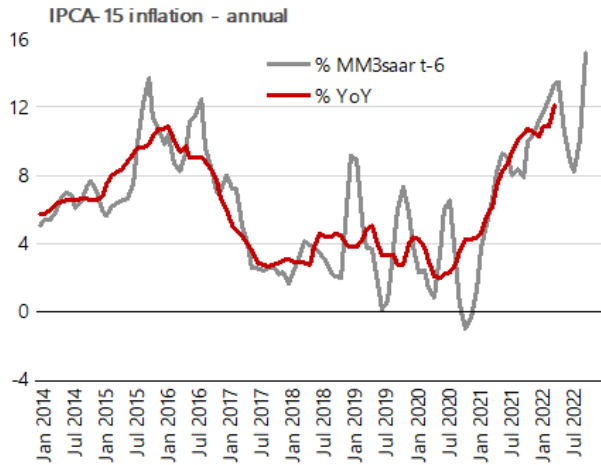
Figure 1. IPCA-15 by Group and Forecasting Errors

	MoM			YoY	
	Apr-22	Santander	Contrib.	Mar-22	Apr-22
IPCA-15	1.73	1.90	-0.17	10.8	12.0
Food and beverage	2.25	2.24	0.00	10.8	12.8
Food-at-home	3.00	2.83	0.03	12.3	15.4
Food service	0.28	0.73	-0.03	7.1	6.5
Housing	1.73	1.31	0.07	14.6	16.0
Electrical energy	1.92	1.80	0.01	28.3	30.2
Household articles	0.94	0.36	0.02	14.9	15.3
Apparel	1.97	1.76	0.01	12.8	14.8
Transportation	3.43	4.31	-0.19	16.8	18.7
Airline tickets	9.43	4.00	0.02	10.4	13.7
Gasoline	7.51	10.00	-0.16	27.7	30.1
Health and personal care	0.47	1.02	-0.07	4.3	4.4
Personal spending	0.52	0.66	-0.01	5.9	6.4
Education	0.05	0.10	0.00	6.7	6.8
Communication	-0.05	0.00	0.00	2.5	2.5
Administered	3.23	3.69	-0.12	14.1	16.0
Free	1.18	1.24	-0.04	9.6	10.6
Food-at-home	3.00	2.83	0.03	12.3	15.4
Industrial goods	0.87	1.22	-0.08	13.2	13.7
Services	0.59	0.57	0.01	6.2	6.7
EX3 Core	0.73	0.97	-0.09	8.8	9.2
Average of cores	0.87	-	-	8.8	-

Sources: IBGE and Santander.



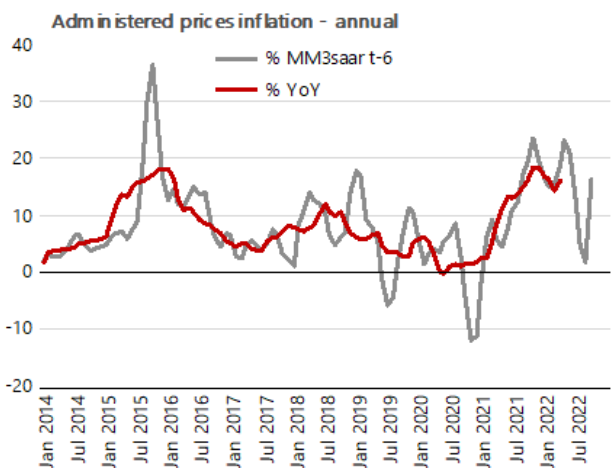
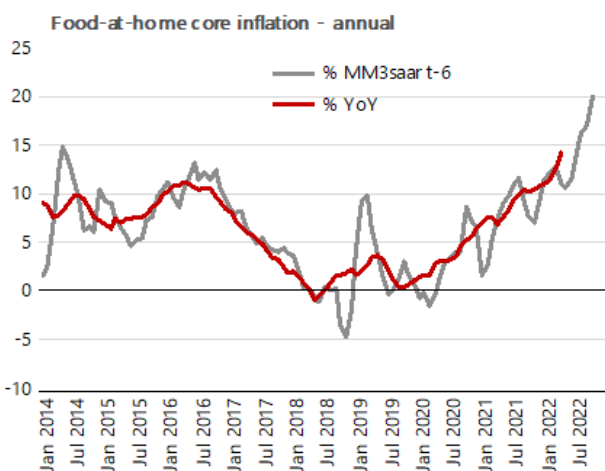
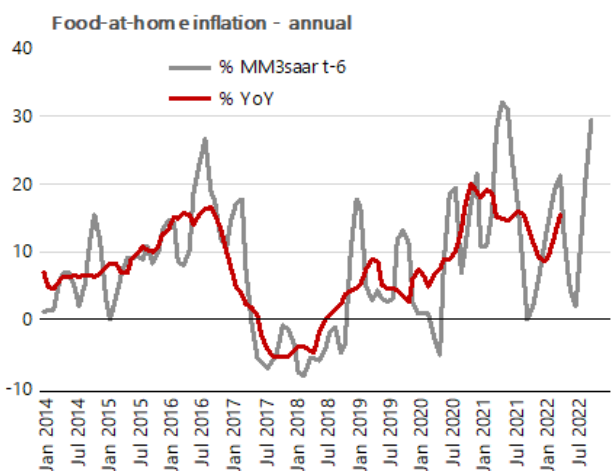
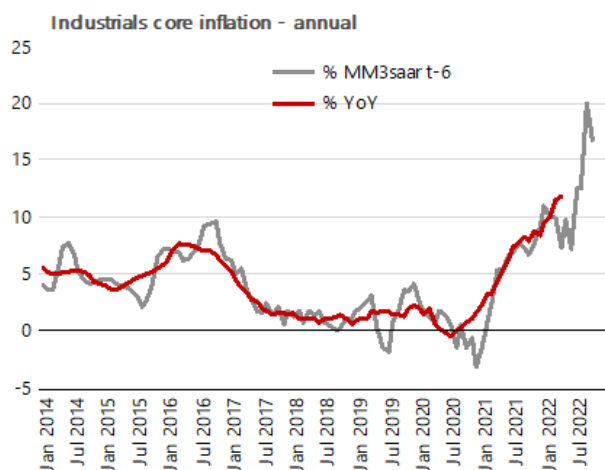
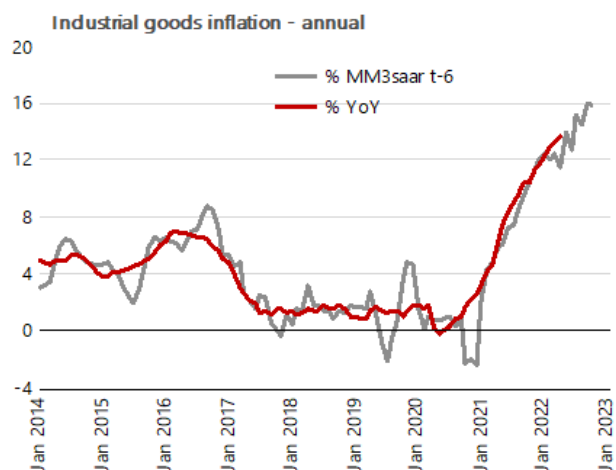
Figure 2. IPCA-15, Groups and Qualitative Measures



Sources for all charts: IBGE and Santander.



Figure 2. IPCA-15, Groups and Qualitative Measures (continued)



Sources for all charts: IBGE and Santander.



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