



April's IPCA: Qualitative Measures Still Solidly Unfavorable

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- **April's IPCA registered a 1.06% MoM change, above our call (0.94%) and the consensus expectation (1.01%). In YoY terms, the IPCA accelerated to 12.1%, which should be the peak of IPCA inflation, in our view.**
- **The main upward surprises relative to our forecast came from food prices (+4 bps) and industrial goods (+4 bps). Broad qualitative measures were solidly unfavorable. The average of the main core measures accelerated to 12.4% from 11.4% 3MMA-saar, reaching a new high. Finally, the diffusion index continued to rise, reaching 77.1% (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 this should have been the peak of IPCA in YoY terms. Leading indicators and high frequency inflation surveys point to some relief ahead. However, the balance of risks is tilted to the upside (i.e., higher inflation).**

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The main upward surprises relative to our forecast came from food prices (+4 bps) and industrial goods (+4 bps). More specifically, food-at-home rose 2.6% MoM (vs 2.3% estimated), spread across many items (e.g., meat and milk, among others). Meanwhile, industrial goods rose 1.22% MoM (vs. our estimate of 1.0%), with medicines alone contributing +3 bps to the headline forecast error. Services also accelerated considerably, with its core running at 9.7% from 9.0% 3mma-saar. Though industrial goods stopped accelerating, they are at a very high level (headline at 15.5% from 15.8% 3mma-saar and core at 17.4% from 18.6% 3mma-saar).

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All in all, this is another unfavorable print that reinforces our difficult outlook for inflation, but we maintain our view that this should have been the peak of IPCA in YoY terms. Leading indicators and high frequency inflation surveys show point to some relief ahead. However, the pace of deceleration should be slow, sticky and risky, as 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). IPCA 2022 tracking is now at 8.8% (from 8.3% before). We also revised IPCA 2023 tracking to 4.5% (from 4.2%), on the back of inertial effects.



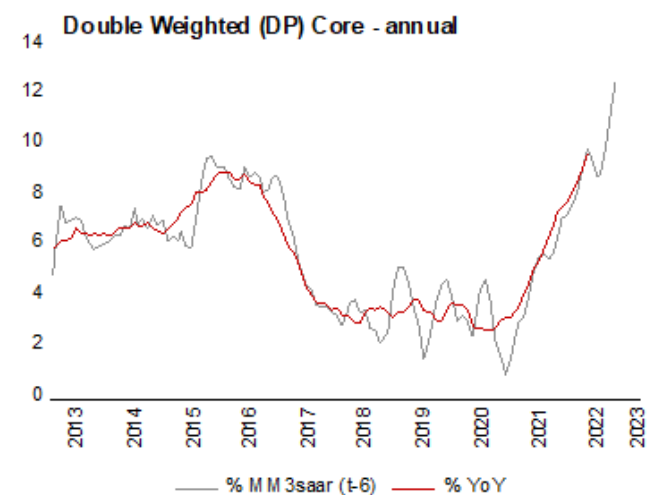
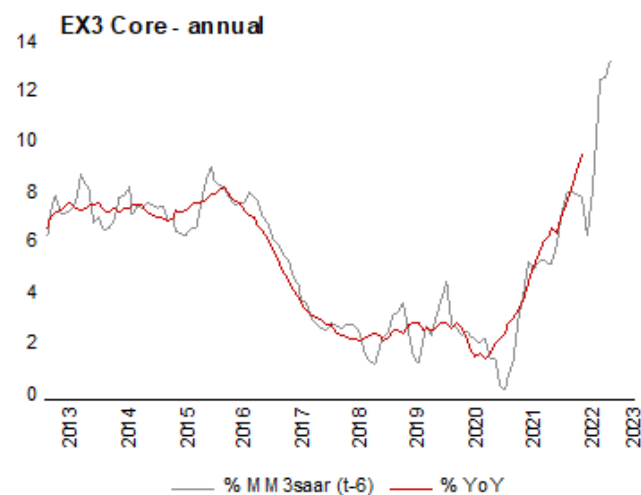
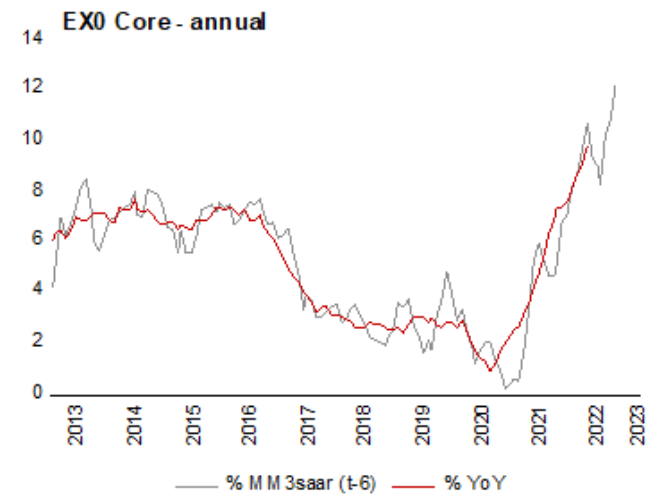
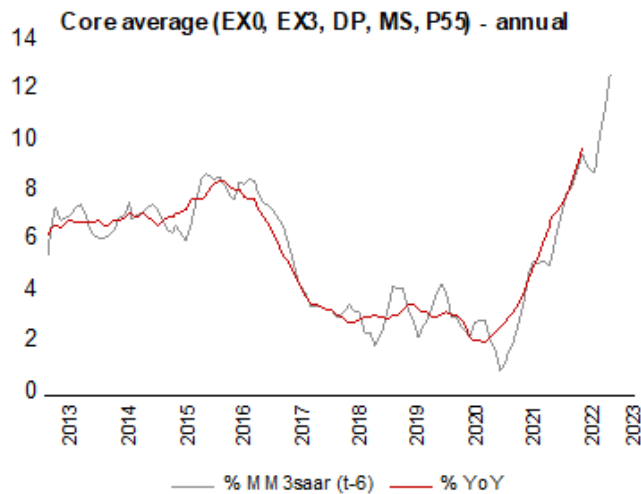
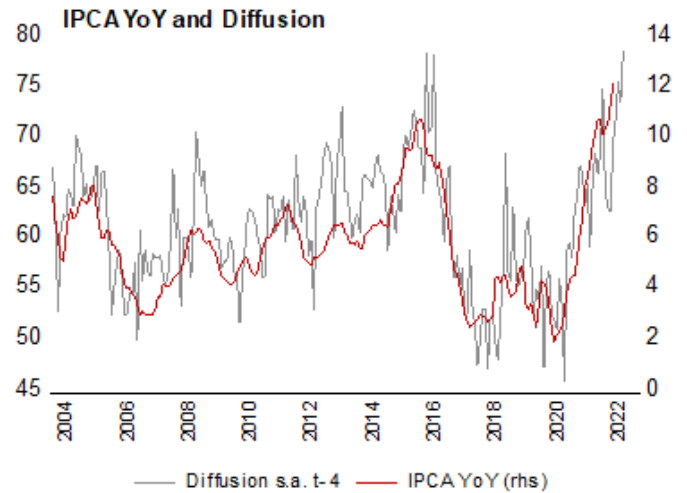
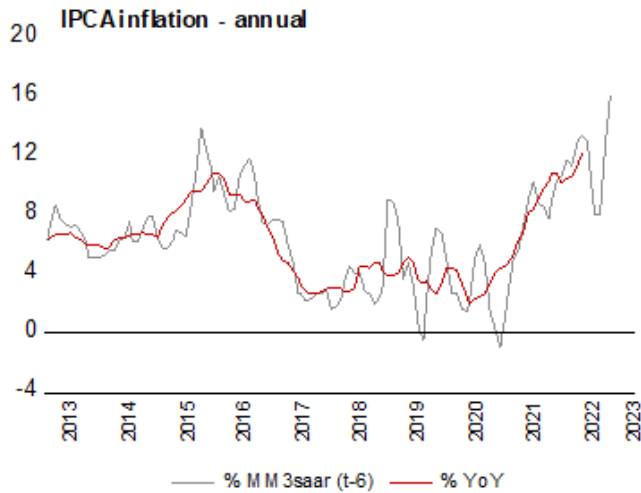
Figure 1. IPCA by Group and Forecasting Errors

	MoM			YoY	
	Apr-22	Santander	Dev.	Mar-22	Apr-22
IPCA	1.06	0.94	0.12	11.3	12.1
Food and beverage	2.06	1.83	0.05	11.6	13.5
Food-at-home	2.59	2.33	0.04	13.7	16.1
Food service	0.62	0.50	0.01	6.2	6.6
Housing	-1.14	-1.15	0.00	15.0	13.4
Electrical energy	-6.27	-6.22	0.00	28.5	20.5
Household articles	1.53	0.69	0.03	14.2	15.3
Apparel	1.26	1.65	-0.02	13.8	14.7
Transportation	1.91	1.88	0.01	17.4	19.7
Airline tickets	9.48	9.43	0.00	11.1	14.3
Gasoline	2.48	2.50	0.00	27.5	31.2
Health and personal care	1.77	1.46	0.04	4.5	5.1
Personal spending	0.48	0.50	0.00	6.2	6.7
Education	0.06	0.02	0.00	6.8	6.8
Communication	0.08	0.00	0.00	2.9	2.9
Administered	0.55	0.46	0.02	14.8	15.0
Free	1.25	1.11	0.10	10.0	11.1
Food-at-home	2.59	2.33	0.04	13.7	16.1
Industrial goods	1.22	1.05	0.04	13.4	14.2
Services	0.66	0.62	0.01	6.3	6.9
EX3 Core	0.94	0.87	0.03	9.0	9.6
Average of cores	0.95	-	-	9.0	-

Sources: IBGE and Santander.



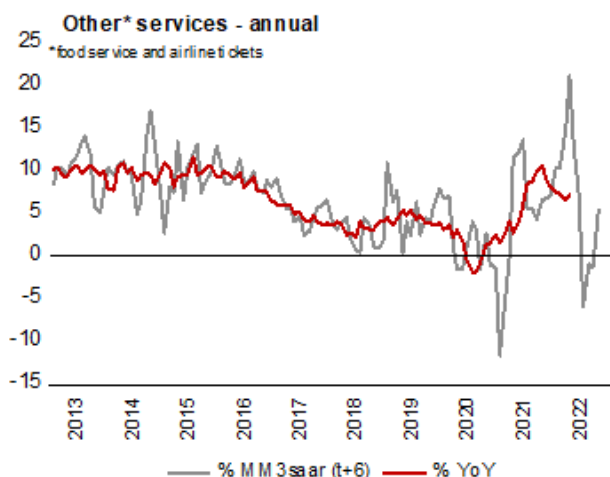
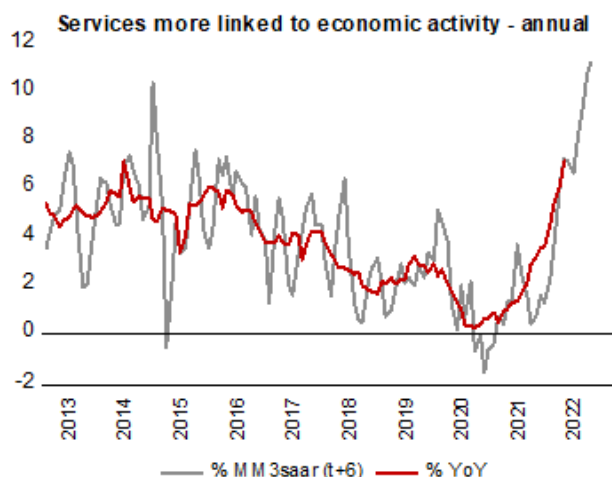
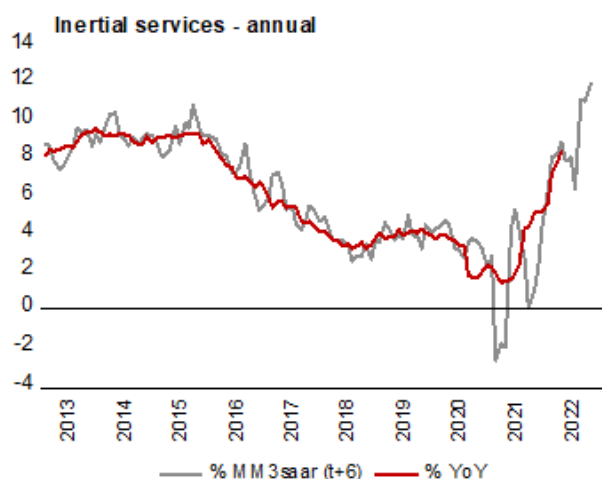
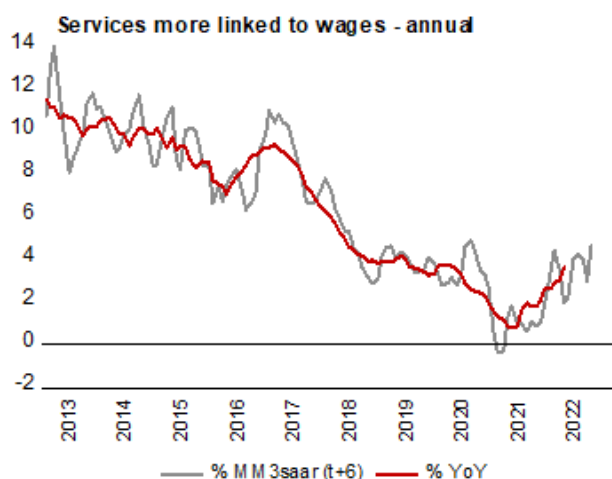
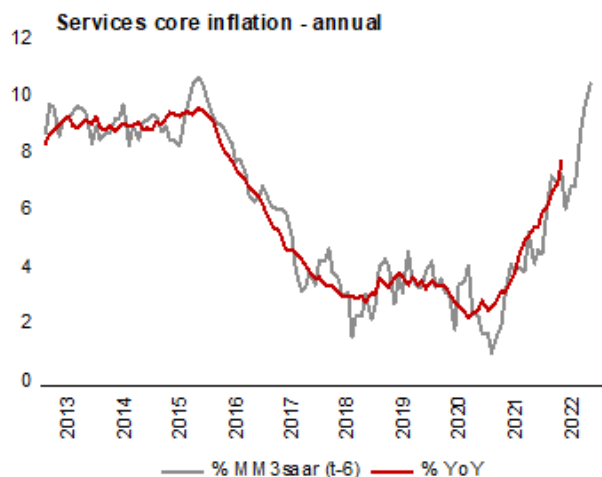
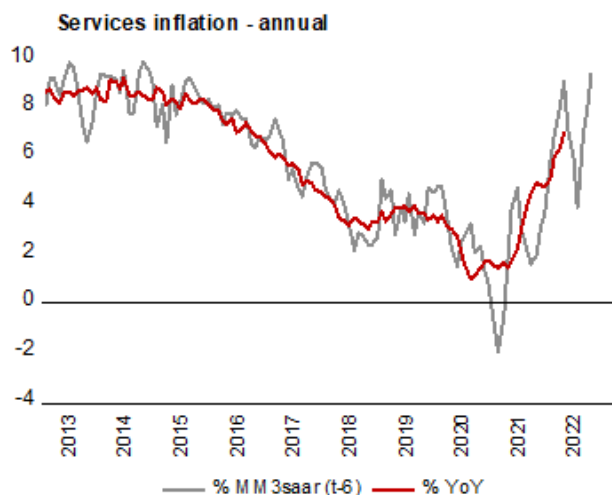
Figure 2. IPCA, Groups and Qualitative Measures



Sources for all charts: IBGE and Santander.



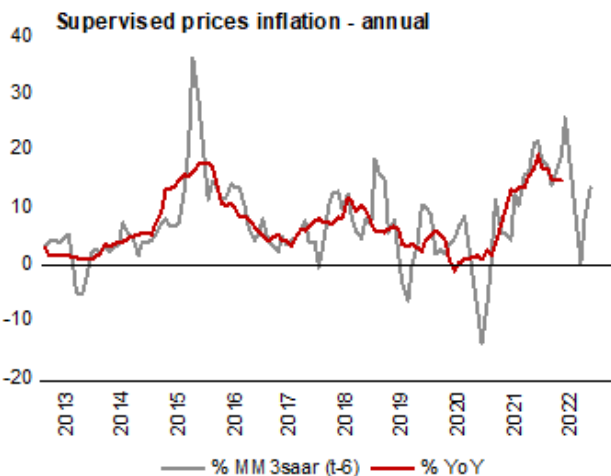
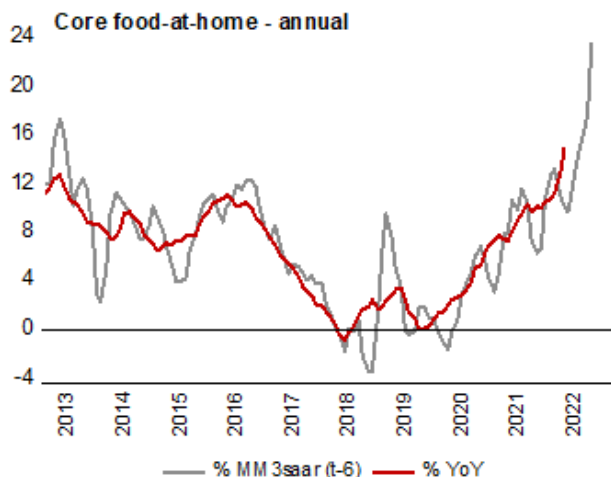
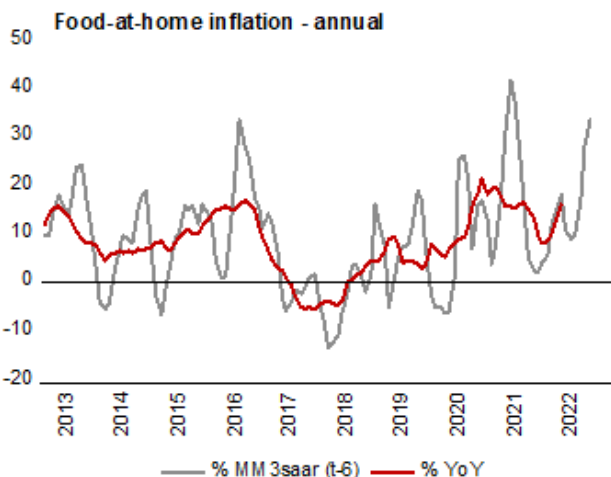
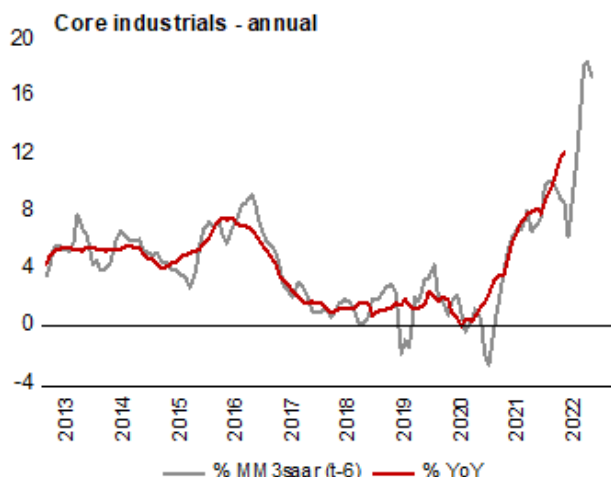
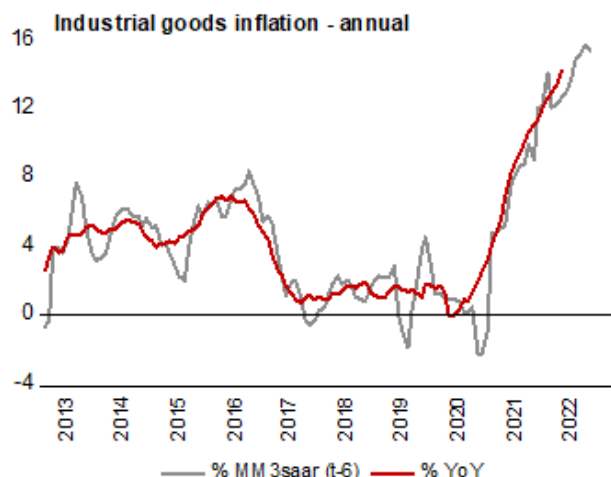
Figure 3. IPCA, Groups and Qualitative Measures (continued)



Sources for all charts: IBGE and Santander.



Figure 4. IPCA, Groups and Qualitative Measures (continued)





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