

# IPCA-15 – August 2018

23 August 2018

## INFLATION SLOWDOWN

### What happened

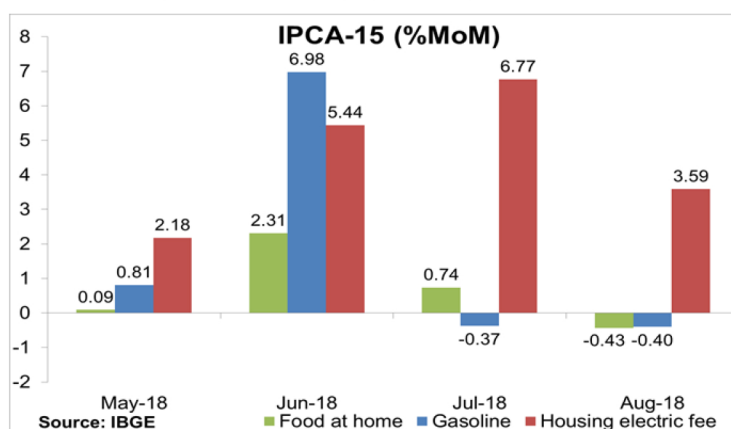
In August 2018, IPCA-15 came at +0.13%, being slightly lower than the median of market expectation (+0.10%) and much lower than the +0.63% in the previous month. In the last 12 months, it accumulated 4.30%, slowing down from +4.53% print in July.

We highlight the deflation shown by Transport (see table below) with the drop of airfares (-26%) and fuel prices (ethanol -5.8% and gasoline -0.4%). Clothing also showed some deflation, and Food group came near zero (+0.03%) and slowed down sharply as compared to the previous month (+0.61%), being influenced by the price drop of fruits, vegetables and beef.

Upward pressures came mainly from Housing, in which we highlight the increase of electricity prices by 3.59% being impacted by readjustment of electric energy fees at concessionaires in São Paulo and Belém. Water & sewage fees also showed some increase (+0.62%). At last, the readjustment of healthcare plans (+0.81%) impacted on Health and Personal Care group.

Core inflation in August came at +0.37%, in average, being higher than the headline index. And the diffusion index was at 55.3%, close to the diffusion posted in July (54.7%)

IPCA-15	Jul-18	Aug-18
Headline Index	0.64	0.13
Food and Beverages	0.61	0.03
Housing Expenses	1.99	1.10
Housing Goods	0.36	0.54
Clothing	-0.14	-0.39
Transport	0.79	-0.87
Health and Personal Care	-0.08	0.55
Personal Expenses	0.34	0.32
Education	-0.06	0.23
Communication	0.05	0.02
Monitored Prices	1.27	0.74
Free Prices	0.42	-0.08
Services Prices	0.58	0.05
Core inflation	0.50	0.37
Diffusion Index	54.7%	55.3%
Source: IBGE		



### Our expectation

This sharp inflation slowdown in August was still somewhat impacted by the normalization of supply after the truckers' strike in May, but it also counted with the deflation of airfares after the seasonal hike in July.

Until the end of August, we might see further slowdown, and we expect IPCA at 0%. As for the next months, we expect relatively higher monthly inflation figures (average at around 0.27%) influenced by some direct impact of BRL depreciation on imported goods and components, although this impact is mitigated by the by the high idle capacity.

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