IPCA – April 2019

10 May 2019

Inflation in 3 groups

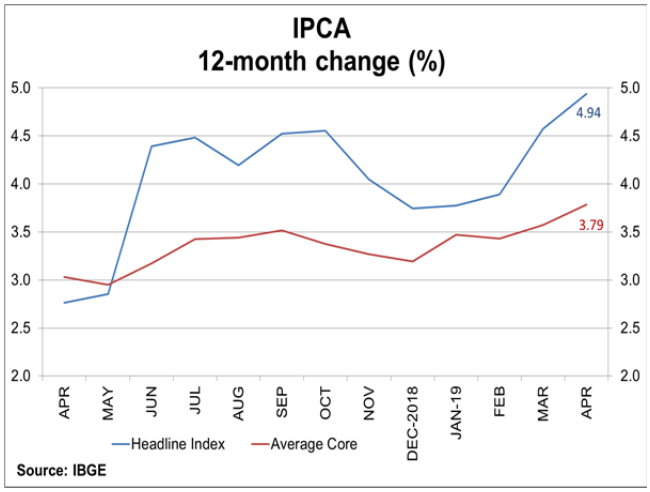
What happened

Inflation in April posted +0.57%, coming lower than the median of market expectation (+0.62%). In the last 12 months, it accumulated 4.94%

Inflation was mainly pressured by food (+0.63%), and transport (+0.94%) and health & personal care (+1.51%). Together, these groups contributed to nearly 90% of the IPCA in April.

Food inflation showed a sharp slowdown as compared to the previous month in the wake of price drop of bean (-9.1%), fruits (-0.7%). On the other hand, tomato (+28.6%), chicken (+3.3%) and onion (+8.6%) led the price hike. Transport inflation was driven by fuel (+2.7%), followed by airfare (+5.3%) and bus (+0.7%). Health & Personal Care was driven by the readjustment of medicaments (+2.3%), perfume (+6.6%) and healthcare plans (+0.80%).

IPCA	Mar-19	Apr-19
Headline Index	0.75	0.57
Food and Beverages	1.37	0.63
Housing Expenses	0.25	0.24
Housing Goods	0.27	-0.24
Clothing	0.45	0.18
Transport	1.44	0.94
Health and Personal Care	0.42	1.51
Personal Expenses	0.16	0.17
Education	0.32	0.09
Communication	-0.22	0.03
Core inflation	0.33	0.37
Diffusion Index	65.3%	59.0%
Source: IBGE		



Our expectation

We expect relatively lower inflation in May (our call is +0.30%) in the wake of some slowdown of those pressures on Food prices. For instance, the 1st preview of IPC-S for May shows this food inflation slowed down. However, the 12-month inflation might continue at relatively high levels.

The 12-month inflation in June might slow down sharply to levels around 3.6%, once we discard the +1.26% inflation in June 2018 in the aftermath of the trucker's strike that led to supply shortage. For the whole year, we keep the call of 4.0%.

Note that there is some concern on the impact of "swine plague" that led to a sharp reduction of swine in China. On one hand, this might benefit Brazil once we might export more pork and beef to China in the next years, but on the other hand, there will be some reduction of exports of soy that is used as animal feed, and there will be price increase of meat complex due to lower supply of beef on domestic market and relatively higher demand on other meats.

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