IPCA – August 2018

06 September 2018

Price decrease in August

What happened

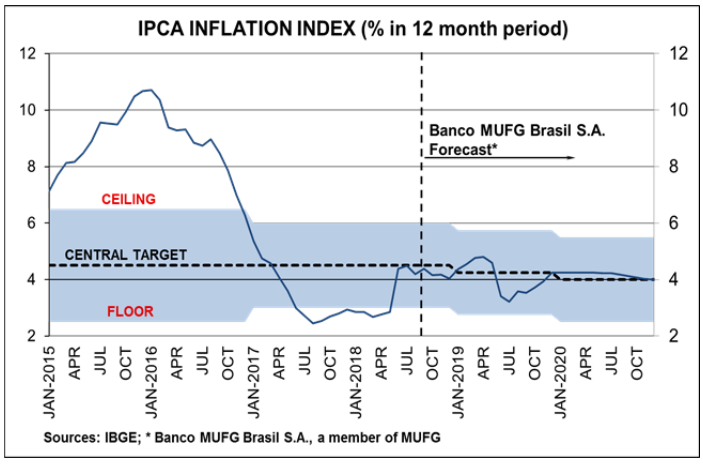
In August 2018, IPCA came at -0.09%, being lower than the median of market expectation (+0.0%) and also lower than the +0.33% in the previous month. In the last 12 months, it accumulated 4.19%.

We highlight the deflation shown by Food group (see table below), in which we highlight the sharp deflation of onion (-22.2%) and potato (-11.9%). Another group that showed deflation was Transport because of the seasonal drop of airfares (-26.1%) and fuel prices (ethanol -4.7% and gasoline -1.5%).

Upward pressures came mainly from Housing, in which we highlight the increase of electricity prices by 0.96%, although it slowed down sharply versus the +5.33% in the previous month. There was also nearly 1% increase on water & sewage fees. The readjustment of healthcare plans (+0.81%) influenced the inflation of Health group.

Core inflation in August came at +0.23%, in average, being lower than the previous month (+0.48%). The diffusion index was at 52.1%, slightly higher than the diffusion in July (50.0%)

IPCA	Jul-18	Aug-18
Headline Index	0.33	-0.09
Food and Beverages	-0.12	-0.34
Housing Expenses	1.54	0.44
Housing Goods	0.47	0.56
Clothing	-0.60	0.19
Transport	0.49	-1.22
Health and Personal Care	0.07	0.53
Personal Expenses	0.31	0.36
Education	-0.08	0.25
Communication	0.08	0.03
Core inflation	0.48	0.23
Diffusion Index	50.0%	52.1%
Source: IBGE		



Our expectation

IPCA in September might show some hike pressure (our current call is +0.30%) being influenced somewhat by the impact of BRL depreciation in specific items such as fuel prices that follows the international prices and the USDBRL path. However, the FX pass-through to inflation is still limited by the relatively weak economic activity, especially taking into account the high level of idle capacity in the industrial sector as well as the high level of unemployment rate.

For the whole year, we keep our view that IPCA might end up below the 4.5% inflation target, as shown by the right-side chart above.

CARLOS PEDROSO
Senior Economist
cpedroso@br.mufg.jp

MAURICIO NAKAHODO
Economist
mnakahodo@br.mufg.jp

IPCA – August 2018

06 September 2018

DISCLAIMER

The information herein is provided for information purposes only, and is not to be used or considered as an offer or the solicitation of an offer to sell or to buy or subscribe for securities or other financial instruments. Neither this nor any other communication prepared by Banco MUFG Brasil S.A. and/or MUFG Bank, Ltd. (herein jointly as “MUFG”) is or should be construed as investment advice, a recommendation to enter into a particular transaction or pursue a particular strategy, or any statement as to the likelihood that a particular transaction or strategy will be effective in light of your business objectives or operations. Before entering into any particular transaction, you are advised to obtain such independent financial, legal, accounting and other advice as may be appropriate under the circumstances. In any event, any decision to enter into a transaction will be yours alone, not based on information prepared or provided by MUFG. MUFG hereby disclaims any responsibility to you concerning the characterization or identification of terms, conditions, and legal or accounting or other issues or risks that may arise in connection with any particular transaction or business strategy. Note that MUFG may have issued, and may in the future issue, other reports that are inconsistent with or that reach conclusions different from the information set forth herein. Such other reports, if any, reflect the different assumptions, views and/or analytical methods of the advisors who prepared them, and MUFG is under no obligation to ensure that such other reports are brought to your attention. MUFG retains copyright to this report and no part of this report may be reproduced or re distributed without the written permission of MUFG expressly prohibits the distribution or re-distribution of this report to any parties, via the Internet or otherwise and MUFG, its head office, branches, subsidiaries or affiliates accepts no liability whatsoever to any third parties resulting from such distribution or re-distribution.

Mitsubishi UFJ Financial Group, Inc. is one of the world’s leading financial groups. Headquartered in Tokyo (Japan) and with over 360 years of history, MUFG has a global network with over 1,800 locations in more than 50 countries. The Group has over 150,000 employees and offers services including commercial banking, investment banking, trust banking, securities, credit cards, consumer finance, asset management, and leasing.

Banco MUFG Brasil S.A.
Av. Paulista, 1.274
São Paulo - SP - Brazil
Ombudsman Toll-free (and DDG): 0800 770 4060
Email: ouvidoria@br.mufg.jp

© 2018 Banco MUFG S.A. All rights reserved. The MUFG logo and name is a service mark of Mitsubishi UFJ Financial Group, Inc., and is used by Banco MUFG S.A. with permission.

DISCLAIMER

As informações contidas neste documento servem apenas para fins de informação e não devem ser usadas como ou consideradas oferta ou solicitação de oferta para vender ou comprar ou contrair assinatura de instrumentos financeiros. Nenhuma comunicação elaborada pelo Banco MUFG Brasil S.A. e/ou MUFG Bank, Ltd. (em conjunto doravante ”MUFG”) é ou deve ser interpretada como conselho de investimento, recomendação para entrar em uma transação específica ou seguir uma estratégia específica, ou qualquer afirmação sobre a probabilidade de essa transação ou estratégia específica ser eficaz em vista de seus objetivos de negócios ou operações. Antes de entrar em uma transação específica, é recomendável obter assessoria independente financeira, legal, contábil ou de outra natureza, conforme adequado às suas circunstâncias. Toda e qualquer decisão de entrar em uma transação será exclusivamente sua, não baseada em informação elaborada ou fornecida pelo MUFG. O MUFG por meio desta se exonera de qualquer responsabilidade perante você envolvendo a caracterização ou identificação de termos, condições, questões legais, contábeis ou outras ou riscos que podem surgir em conexão com qualquer transação ou estratégia de negócios específica. O MUFG pode ter distribuído ou pode distribuir no futuro relatórios inconsistentes com ou que chegam a conclusões diferentes da informação aqui apresentada. Esses outros eventuais relatórios refletem diferentes hipóteses, visões e/ou métodos analíticos dos profissionais que os prepararam e o MUFG não tem obrigação de garantir que esses outros relatórios cheguem até você. O MUFG tem direito autoral sobre este relatório e nenhum trecho pode ser reproduzido ou redistribuído sem autorização por escrito. O MUFG expressamente proíbe a distribuição ou redistribuição deste relatório a terceiros via Internet ou outro meio. O MUFG, sua sede, agências, subsidiárias e afiliadas não aceitam qualquer obrigação perante terceiros resultantes de referida distribuição ou redistribuição.

O Mitsubishi UFJ Financial Group, Inc. é um dos maiores grupos financeiros do mundo. Sediado em Tóquio (Japão), e com mais de 360 anos de história, o MUFG é uma rede global com mais de 1.800 escritórios e está presente em mais de 50 países. O Grupo tem mais de 150.000 funcionários e oferece serviços de banco comercial, banco de investimento, trust, corretora, cartões de crédito, financiamento ao consumidor, gestão de ativos e leasing.

Banco MUFG Brasil S.A.
Av. Paulista, 1.274
São Paulo - SP - Brasil
Ouvidoria DDG: 0800 770 4060
Email: ouvidoria@br.mufg.jp

© 2018 Banco MUFG Brasil S.A. Todos os direitos reservados.
O nome e o logotipo MUFG são marcas de serviço do Mitsubishi UFJ Financial Group, Inc., e são usadas pelo Banco MUFG Brasil S.A. com permissão.