

Mid-Term CPI Report - Lowest figure on record for July

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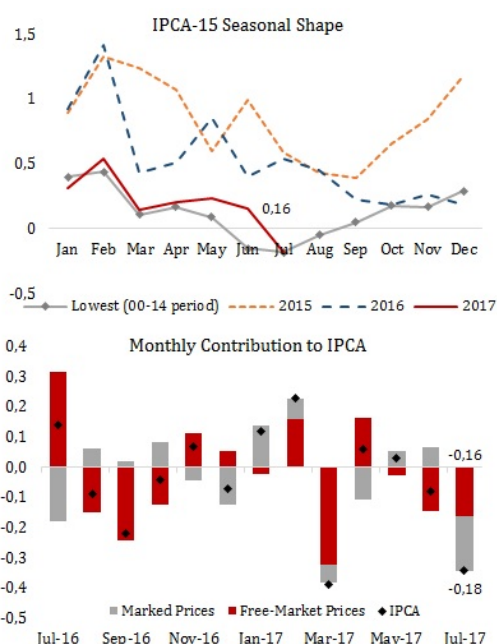
July 20, 2017

Key Takeaways

- Mid-term CPI came in at -0.18% mom, well below Bbg's consensus of -0.10% mom, and below our forecast -0.09% mom.
- Diffusion reached 45%, falling 8bps on monthly basis, the lowest since 2012.
- Underlying services came at 0.38%, 11bps higher. However, all other core measures retrenched on a monthly basis.

1. Mid-term CPI Report: July

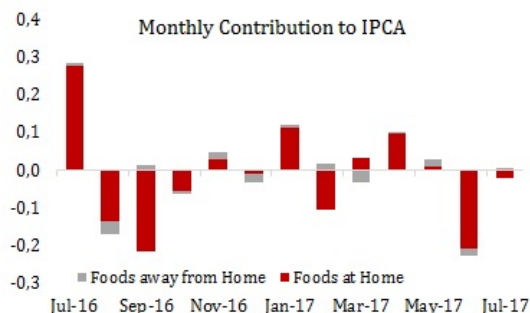
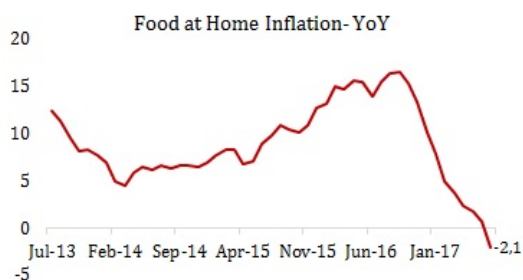
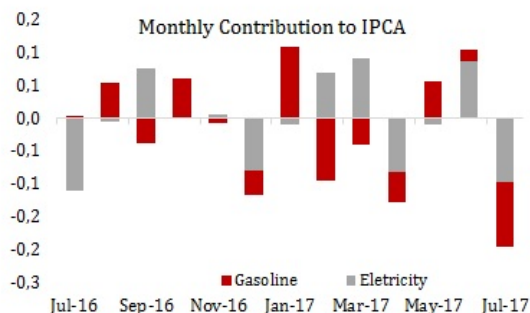
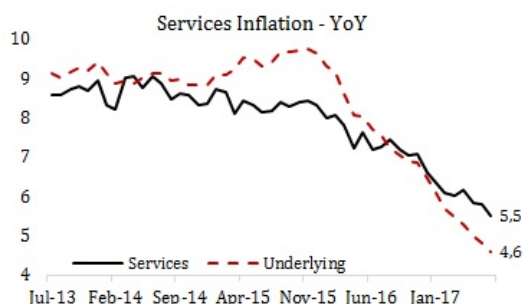
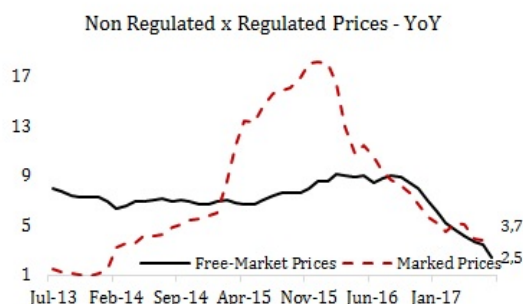
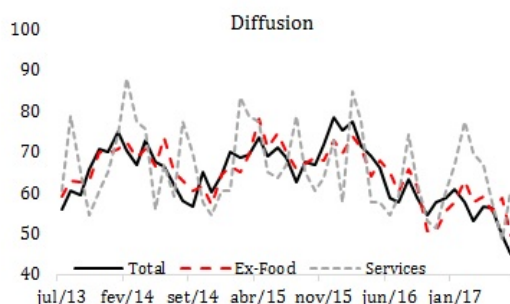
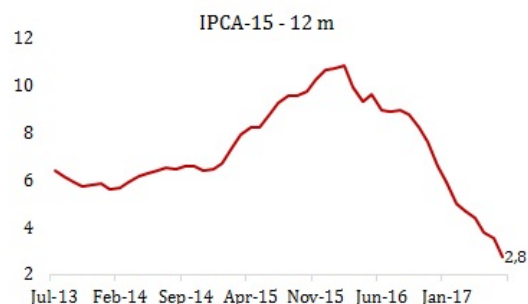
Reference - July-17	Weight (%)	MoM (%)	Change Contrib.	YoY (%)
IPCA	100	-0,18	-0,34	2,8
Free-Market Prices	75,6	-0,18	-0,16	2,5
Food at Home	16,5	-0,95	-0,02	-2,1
Industrial Prices	15,9	-0,97	-0,03	-2,2
Services	35,7	0,38	0,03	5,5
>Underlying	22,4	0,38	0,03	4,6
>Airfares	0,3	5,77	0,00	7,7
Tradables	34,6	-0,54	-0,20	1,2
Non-Tradable	41,0	0,12	0,03	3,6
Regulated Prices	24,4	-0,18	-0,18	3,7
Electricity Costs	3,4	-0,62	-0,10	-1,9
Gasoline	3,8	-2,98	-0,10	-4,6
Core Inflation (Avg)	-	0,15	-0,1	4,2
IPCA-EX2	83,4	0,15	-0,21	4,2
Smoothed-Trimmed	60,0	0,17	0,10	4,2
Double Weighted	100	0,12	-0,14	4,2
Diffusion		Pts	Bps	
Total	100	45,2	-4,4	-12,6
Ex-Food	74,6	49,8	-9,0	-10,4
Services	35,7	60,6	12,1	1,5
Food at Home	16,5	36,3	-1,4	-17,1



Comments: Below consensus headline, low core figures, and low diffusion depicts a positive picture, thus underscoring the strong ongoing deflating forces. Main drivers in the month *vis à vis* our take were: 1) yet again, low inflation of food at home, which fell 0.95% mom, 2) gasoline prices, which declined 2.98% mom, and 3) apparel -0.11%. Perhaps, the only drawback was the (limited) surge of core service inflation; however, still standing at low level for historical standards. Going

forward, we believe these figures set a downward bias to our July CPI's forecasts, currently at 0.13%mom, which adds to the ever more recurrent downward changes to gasoline prices.

2. CPI Dashboard - July



3. Disclaimer

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