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## Services Show Gains at the Margin

- **In February, our proprietary coincident indicator of services (IGet-Services) posted a 3.0% MoM-sa increase.** This positive result stems both from Other Services (7.4% MoM-sa), and Accommodation and Food Services (2.7% MoM-sa).
- **In our view, this growth, though solid, was not enough to offset the cumulative losses of recent months** or to reverse the downward trend seen in rolling-quarter metrics. In comparison to the previous year (still in the pre-pandemic period), the YoY variation was 34.2%.
- **Based on IGet-Services, our tracking for Services to Families in February is at 1.6% MoM (-29.0% YoY),** not enough to fully give back the drop seen in December-20 and January-21 and consistent with deterioration in activity in 1Q21, given the setback of economy's reopening process following the pandemic's resurgence.

### Anticipating the trend of Services to Families

In partnership with Getnet, we developed the IGet-Services indicator, which aims to anticipate the trends of the segment of Services to Families released in the IBGE's monthly survey (PMS). Our indicator uses information from transactions in the national acquisition market and aims to expand the information set for analyzing the economic activity pace in Brazil, monitoring the sales volume of samples from establishments over the time. We selected a sample of 150k establishments that use (on a recurring basis) Getnet as a mean of payment, and the sample contains establishments of different sizes, segments and regions, which makes it a representative selection of the services sector in the country.

### February 2021 results

**Sequential gain at the margin, but still with strong YoY decline.** Our index shows monthly gains (+3.0% MoM-sa) in February compared to January, over a depressed base following three consecutive declines, but still recording a strong YoY fall (34.2%). In the breakdown, this positive sequential result stems both from Other Services (7.4% MoM-sa), and Accommodation and Food Services (2.7% MoM-sa). In our view, this sequential growth, though solid, was not enough to offset the cumulative losses of recent months or to reverse the downward trend seen in rolling-months' metrics.

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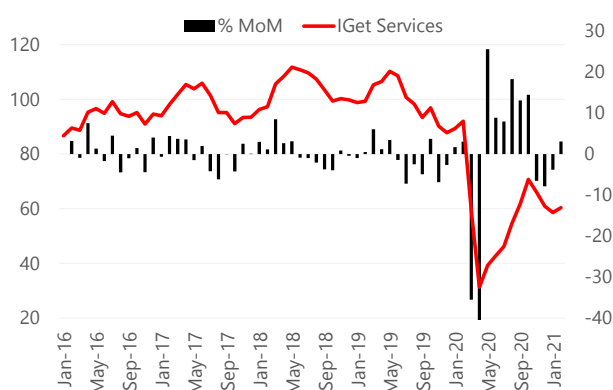


Figure 1. Table IGet – February Report

IGet					
	Weights	Jan-21		Feb-21	
		% MoM	% YoY	% MoM	% YoY
<b>Services to Families</b>	<b>100%</b>	<b>-3.8</b>	<b>-34.4</b>	<b>3.0</b>	<b>-34.2</b>
Accommodation and Food Services	84%	-2.5	-37.5	2.7	-37.9
Other Services	16%	-11.5	-16.9	7.4	-14.0

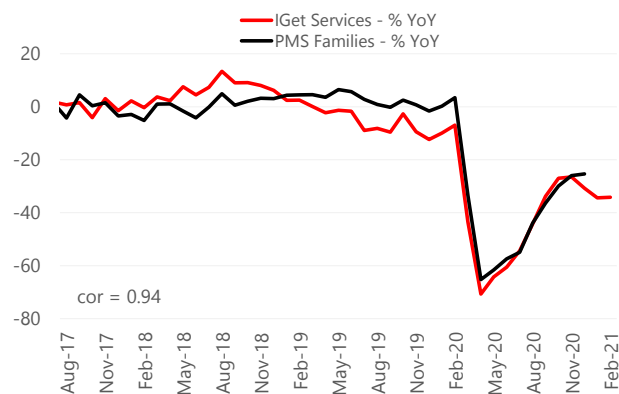
Sources: Santander, X13 deseasonalization method

Figure 2.A – IGet (points, sa)



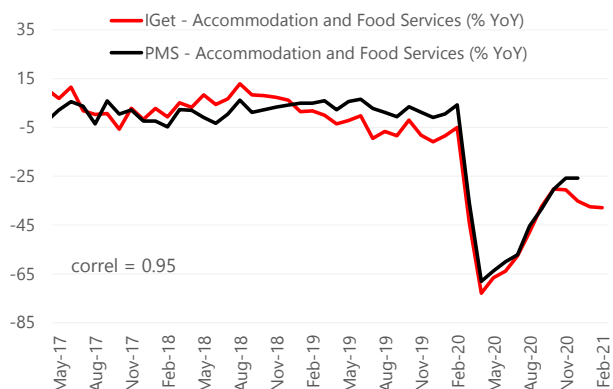
Sources: Santander, X13 deseasonalization method

Figure 2.B – IGet and Services to Families (% YoY)



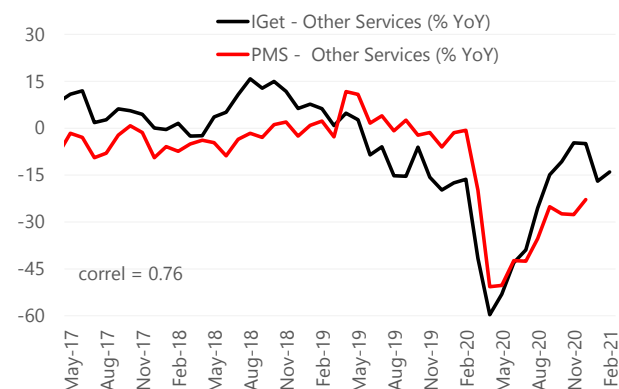
Sources: Santander, X13 deseasonalization method

Figure 3.A – IGet and Food Services (% YoY)



Sources: Santander, IBGE

Figure 3.B – IGet and Other Services (% YoY)



Sources: Santander, IBGE

**Our tracking points to a gain at the margin, but with a sequential decline of Services to Families in January.** Based exclusively on our proprietary indicator, we expect a sequential drop of 2.7% MoM-sa (-29.5% YoY) of Services to Families, following the 3.6% drop in December 2020. Given the depressed base of comparison, and a slight improve in mobility seen in February, our tracking points to a gain at the margin (1.6%) — as seen in our previous report<sup>1</sup> — not enough to fully give back the drop seen in December 2020 and January 2021 and consistent with deterioration in activity in 1Q21, given the setback of economy's reopening process following the pandemic's resurgence.

<sup>1</sup> Santander Brazil Economic Activity – “IGET Fevereiro (Prévia): Serviços mostram alta na margem” – February 19, 2021- Available (in Portuguese) on: <http://bit.ly/Sant-iget-serv-fev21>



Figure 4. Tracking of the Services Sector

Tracking					
	Weights	% MoM		% YoY	
		Jan-21	Feb-21	Jan-21	Feb-21
<b>Services to Families</b>	<b>100%</b>	<b>-2.7</b>	<b>1.6</b>	<b>-29.5</b>	<b>-29.0</b>
Accommodation and Food Services	84%	-2.7	1.5	-28.6	-28.9
Other Services	16%	-1.3	0.7	-32.6	-28.6

Sources: Santander, X13 deseasonalization method

## Conclusions and outlook

**In our base scenario, we understand that the service sector, most in the cyclical segments, should experience a downturn in 1Q21 due to the pandemic's upsurge and the subsequent impact on mobility.** Services more related to social interaction, once expected as the main drivers of recovery, should be hard hit. We believe that the IGet-Services data corroborate our view, as they show a sequential drop in Services to Families in January, in a context of tightening of social distance measures at the national level, and consequently, reduced mobility. Besides, a partial return of the losses of the last months is likely, especially due to the more depressed basis. In the accumulated of the rolling quarter between December 2020 and February 2021, we should still have a contraction, in line with our deterioration scenario. With progress in the vaccination rollout and the consequent increased mobility, the service sector should recover, contributing to the sequential resumption of economic activity and job recovery. **For more details regarding our economic activity scenario, see link below<sup>2</sup>.**

<sup>2</sup> Santander Brazil Economic Activity - "Economic Activity Chartbook - Lingering impacts to slow the recovery" – February 23, 2021- Available on: <http://bit.ly/Sant-econact-chart-fev21>



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