

A Moderate Surprise at the Start of 2Q21

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- **Service sector data surprised positively (again) in April.** The headline index was up by 0.7% (+19.8% YoY), above market consensus of +0.3% MoM and close to our call (+0.8%). Despite the expansion, April's figure was not enough to fully offset March's decline (-3.1%), placing the index at readings still 1.5% below the pre-pandemic mark (February 2020).
- **Services to families climbed 9.3%, as anticipated by our proprietary index IGet (our call: +10.9%), but not enough to give back the previous drop (-28%).** On the other hand, firms-related services underperformed. Looking ahead, IGet already points to rebound of services to families in May, reflecting the easing of the social distancing measures.
- **We keep our tracking for April IBC-Br at +0.8%.** Regarding 2Q21 GDP, our tracking stands at -0.3% QoQ-sa (12.1% YoY), but with upside risks as tertiary sector data came in better than expected. We caution that industrial and agricultural sectors could be significantly weigh on activity recovery this quarter.

Figure 1. Services Sector Breakdown

	% MoM			% YoY			% QoQ		
	Feb-21	Mar-21	Apr-21	Feb-21	Mar-21	Apr-21	Feb-21	Mar-21	Apr-21
Total Services	3.9	-3.1	0.7	-1.8	4.5	19.8	3.6	2.8	2.4
Families	9.0	-28.0	9.3	-28.3	-17.2	65.8	4.3	-6.6	-11.6
Accommodation and Food	8.5	-28.9	9.8	-29.0	-17.3	77.2	4.6	-7.4	-12.9
Other Services to Families	1.3	-4.6	0.9	-24.1	-16.8	27.6	0.1	0.4	-1.1
Information	0.0	2.2	2.5	2.7	6.4	12.8	1.3	0.5	1.9
Technology	0.0	1.9	3.1	4.9	7.5	11.7	1.8	1.8	3.0
Telecommunication	-1.6	0.0	0.8	-2.1	-0.1	0.9	0.4	0.7	0.0
Information Technology	2.0	4.4	5.3	17.8	20.2	31.2	4.5	3.4	6.8
Audiovisual	5.1	5.9	1.0	-14.5	-3.1	23.6	-2.5	-5.8	0.1
Professional	3.2	-1.4	-0.6	-2.3	0.9	11.0	4.7	4.7	3.5
Professional	3.1	-0.7	-0.1	7.9	7.3	14.6	3.8	4.3	3.7
Administrative	4.1	-2.0	-1.3	-5.7	-1.4	9.5	4.8	4.6	3.5
Transportation	5.5	-3.1	0.0	0.1	8.8	30.7	5.4	6.1	5.3
Ground Transportation	6.0	-2.6	-0.9	-2.6	11.1	37.1	3.8	6.4	5.9
Water Transportation	2.4	1.2	5.6	6.5	8.1	17.0	4.9	6.6	8.3
Air Transport	-11.8	-7.8	-15.5	-30.2	-26.8	136.4	8.0	3.0	-14.2
Storage and Mail	5.3	-1.6	0.3	11.3	13.3	20.2	5.1	5.1	5.2
Other Services	3.0	3.1	-0.9	1.2	6.7	16.7	0.0	-1.6	0.9

Sources: IBGE, Santander.

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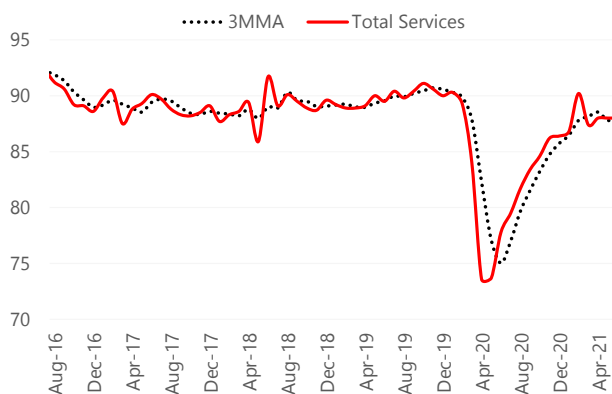


Tertiary sector data beat expectations in April, though moderately with respect to services. The services real revenue climbed 0.7% (+19.8%), above market consensus of +0.3% and in line with our call (+0.8%), considering an upward revision in March's figure (from -4.0% to -3.1%). Despite the sequential increase, April's figure was not enough to fully offset March's tumble, placing the index at readings 1.5% below the pre-pandemic mark (February 2020). In quarterly terms, April's figure left a slight negative carryover of -0.2% for 2Q21 almost fully mitigating the negative result left by March's tumble.

Services to families outperform firms-related segments. As our proprietary IGet index has anticipated since mid-April, services to families climbed 9.3% in April, in line with our call (+10.9%), but not enough to give back March's drop (-28%). Information services continued to improve (+2.5%), but professional services fell (-0.6%) for the second month in a row. Despite the faster-than-expected increase in mobility seen since April, the transports segments posted a weak figure (stable, +0%), likely being dragged down by the industrial production retreat. Looking ahead, IGet already points to a services to families rebound in May, a reflection of social distancing measures being eased and the consistent recovery of mobility. [See details in the link¹](#).

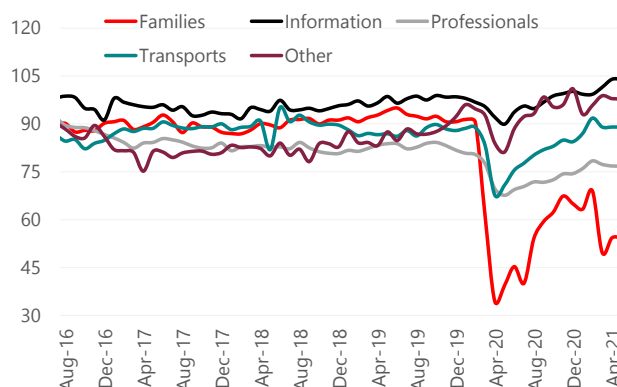
The BCB's broad activity index (IBC-Br) comes out next week (June 14), capping the batch of key activity releases for April. We are looking for a monthly gain of 0.8% MoM-sa. Regarding our GDP scenario, we are updating our tracking for 2021 GDP to 4.8% (3.6% from last scenario review), given the positively surprisingly releases of 1Q21 GDP and the timely activity indicators. We highlight that the agricultural sector may partially give back its 1Q21 positive contribution, which, along with the expected weak outcome of the industry, should create something of a drag on the recovery in 2Q21. **For details on Santander's economic activity scenario, please refer to our last chartbook².**

Figure 2.A – Total Services (sa, 2014=100)



Sources: IBGE, Santander.

Figure 2.B – Services Breakdown (sa, 2014=100)



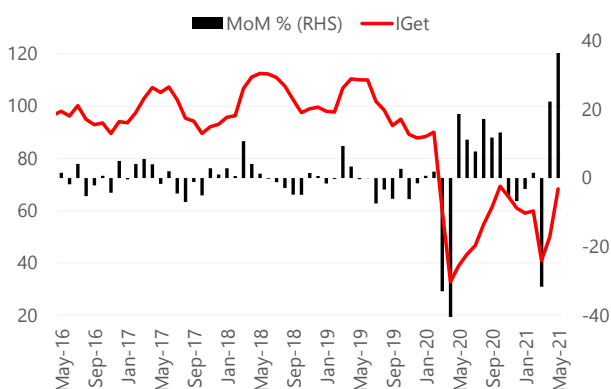
Sources: IBGE, Santander.

¹ Santander Brazil Economic Activity - "IGet Maio: Serviços Seguem em Recuperação" – June 10, 2021 – Available (in Portuguese) on: <https://bit.ly/Std-IGETser-mai21>

² Santander Brazil Economic Activity - "Chartbook – Positive Surprises with Risks On The Upside" – May 25, 2021- <http://bit.ly/Std-chart-econact-may21>

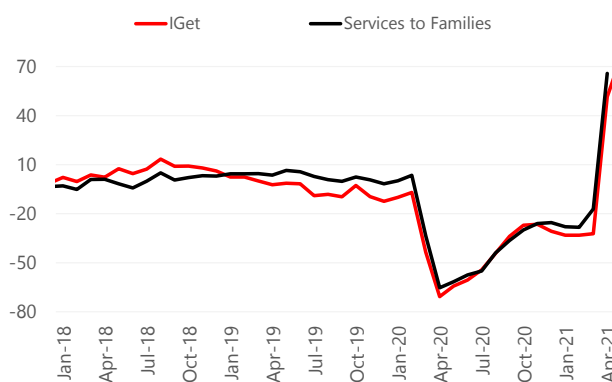


Figure 3.A – IGet Services (sa, 2016=100)



Sources: IBGE, Santander.

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



Sources: IBGE, Santander.

Figure 4 – “Heatmap” Showing Services Volume by Subsector

By Subsector (% MoM sa)														
	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21
Families	-32.34	-43.88	14.53	14.97	-11.48	34.91	9.80	5.05	8.01	-3.56	-2.62	9.00	-27.97	9.26
Accommodation and Food	-34.53	-46.27	16.67	16.67	-13.15	39.69	10.09	6.45	9.09	-3.95	-2.89	8.46	-28.90	9.76
Other Services to Families	-10.14	-33.71	2.55	4.77	2.77	8.48	10.30	-4.35	1.68	-0.50	0.83	1.32	-4.56	0.85
Information	-1.45	-3.46	-2.39	4.23	2.03	-0.84	2.11	2.07	0.71	0.70	-0.90	0.00	2.22	2.46
Technology	-0.50	-0.90	-2.51	3.81	1.59	-1.08	1.48	1.75	0.10	0.67	0.66	0.00	1.89	3.06
Telecommunications	-2.02	-0.23	-1.04	0.70	0.35	0.23	0.23	-0.11	-0.46	0.00	1.96	-1.58	0.00	0.80
Information	1.20	-2.08	-2.42	3.73	6.36	-3.73	3.51	5.44	0.67	2.46	-1.23	1.97	4.38	5.25
Audiovisual and News	-7.19	-21.09	-5.64	8.09	6.42	3.52	5.83	0.15	5.80	1.15	-12.98	5.08	5.93	1.03
Professional	-3.61	-10.06	-3.01	2.66	1.44	1.99	-0.14	1.12	2.48	0.13	2.15	3.16	-1.40	-0.65
Technical and Professional	3.29	-5.22	-6.27	0.82	9.22	1.04	-0.88	2.22	3.04	-1.69	2.57	3.06	-0.68	-0.14
Administrative	-4.32	-9.65	-1.80	1.98	0.69	0.55	1.23	0.54	1.48	1.46	1.04	4.13	-1.99	-1.27
Transportation	-6.30	-18.73	4.58	6.64	2.91	3.22	2.12	1.34	2.29	-0.59	3.08	5.52	-3.05	0.00
Ground Transportation	-10.73	-20.30	7.11	3.56	6.25	4.41	2.96	1.50	2.16	-3.30	4.77	5.99	-2.58	-0.88
Water Transportation	-0.63	-2.03	-0.29	-2.29	1.61	-1.30	2.77	1.42	-1.12	1.98	3.47	2.42	1.25	5.57
Air Transport	-14.41	-73.77	17.65	58.18	18.68	15.50	15.09	0.00	4.92	0.87	12.22	-11.81	-7.83	-15.47
Storage and Mail	-0.21	-5.82	2.65	4.30	0.93	2.24	-1.60	1.93	1.79	0.78	0.97	5.28	-1.55	0.28
Other Services	-2.11	-9.39	-3.33	8.99	4.29	0.98	5.58	-3.15	0.73	5.21	-7.92	3.01	3.13	-0.91

Sources: IBGE, Santander.



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