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## Services in Line with Expectations in May

- Services sector data in line with expectations in May.** The headline index was up by 1.2% MoM-sa (+23.1% YoY), close to market consensus of +1.0% MoM-sa (according to *Agencia Estado*) and our call (+1.3%). May's figure came on the heels of April's recovery (+1.3% MoM-sa, revised upward from +0.6%) and placed the index at a reading 0.2% above the pre-pandemic mark (February 2020).
- Among subsectors, services to families were the highlight, climbing 17.9% (-28% in March, +9.4% in April), but below what our proprietary index indicated (our forecast: +27.7%).** Information services contributed negatively (-1.0%), while professional services increased 1.0% (-0.1% in April). Transport services also showed considerable growth in May (+3.7%), as industrial production increased in the period (+1.4% MoM-sa).
- In quarterly terms, May's figure left a +1.0% carryover to 2Q21, which, together with April's figure, mitigated the negative result left by March's tumble. **We maintain our tracking of IBC-Br for May at +1.1%.**

**Figure 1. Services Sector Breakdown**

	% MoM			% YoY			% QoQ		
	Mar-21	Apr-21	May-21	Mar-21	Apr-21	May-21	Mar-21	Apr-21	May-21
<b>Total Services</b>	<b>-3.4</b>	<b>1.3</b>	<b>1.2</b>	<b>4.5</b>	<b>20.1</b>	<b>23.1</b>	<b>2.6</b>	<b>2.3</b>	<b>0.4</b>
<b>Families</b>	<b>-28.0</b>	<b>9.4</b>	<b>17.9</b>	<b>-17.2</b>	<b>65.8</b>	<b>76.5</b>	<b>-5.7</b>	<b>-11.1</b>	<b>-14.7</b>
Accommodation and Food	-28.8	9.0	18.0	-17.3	76.8	87.5	-7.2	-12.7	-16.2
Other Services to Families	-2.7	2.0	5.5	-16.8	27.8	35.6	3.3	3.5	3.4
<b>Information</b>	<b>2.2</b>	<b>2.5</b>	<b>-1.0</b>	<b>6.4</b>	<b>12.8</b>	<b>14.2</b>	<b>0.6</b>	<b>2.0</b>	<b>3.3</b>
Technology	1.8	3.1	-1.6	7.5	11.7	12.5	1.7	2.9	3.5
Telecommunication	0.0	0.8	0.0	-0.1	0.9	1.9	0.7	0.0	0.1
Information Technology	4.4	5.4	-1.9	20.2	31.2	31.5	3.4	6.9	8.5
Audiovisual	5.9	1.0	2.0	-3.1	23.6	31.9	-5.9	0.0	5.7
<b>Professional</b>	<b>-1.1</b>	<b>-0.1</b>	<b>1.0</b>	<b>0.9</b>	<b>12.2</b>	<b>15.9</b>	<b>5.0</b>	<b>3.8</b>	<b>1.8</b>
Professional	-1.2	0.4	1.3	7.3	14.9	25.7	4.1	3.7	2.5
Administrative	-1.7	-1.3	1.5	-1.4	11.1	12.3	5.0	3.8	0.9
<b>Transportation</b>	<b>-2.6</b>	<b>0.2</b>	<b>3.7</b>	<b>8.8</b>	<b>31.0</b>	<b>32.6</b>	<b>6.0</b>	<b>4.9</b>	<b>2.8</b>
Ground Transportation	-2.3	-0.6	3.3	11.1	37.1	32.5	6.7	6.2	3.7
Water Transportation	1.4	7.0	-3.3	8.1	17.1	14.4	6.4	8.6	7.6
Air Transport	-17.9	-21.8	60.7	-26.8	136.4	217.0	4.4	-17.4	-18.1
Storage and Mail	-1.4	1.1	3.6	13.3	21.2	23.0	5.5	5.9	4.5
<b>Other Services</b>	<b>3.0</b>	<b>-0.7</b>	<b>-0.2</b>	<b>6.7</b>	<b>17.0</b>	<b>20.6</b>	<b>-1.6</b>	<b>1.0</b>	<b>1.7</b>

Sources: IBGE, Santander.

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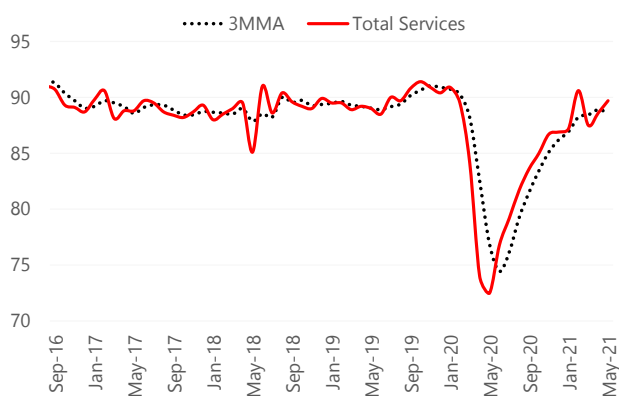


**Services sector in line with expectations in May.** The services sector's real revenue climbed 1.2% MoM-sa (+23.1% YoY), close to both market consensus (+1.0%) and our forecast (+1.3%), even considering an upward revision in April's figure (from +0.7% to 1.3%). Despite the sequential increases, the figures for April and May were not enough to fully offset March's tumble, but still placed the index at a reading 0.2% above the pre-pandemic mark (February 2020). In quarterly terms, May's figure left a positive carryover of 1.0% for 2Q21.

**Services to families showed strong sequential growth.** After March's tumble (-28.0% MoM-sa), services to families had the second consecutive month of strong growth (+9.4% in April, +17.9% in May), but this was still insufficient to return to February's level. Our proprietary IGet index anticipated a stronger recovery for this segment in May, as we projected a +27.7 MoM-sa increase, which would have been enough to give back March's drop (-28%). Information services declined (-1.0%) after two months of sequential growth but remain considerably above the pre-crisis mark (+6.4%). Professional services had a positive result (+1.0%), almost returning to February levels after two months of contraction in a row. The transport segment posted a strong figure (+3.7%), likely benefiting from the industrial production increase in May. Looking ahead, IGet points to a deceleration in services to families in June after May's strong result, but still posting positive growth (+1.4%), a reflection of the easing of social distancing measures and the consistent resumption of mobility. [See details in the link<sup>1</sup>.](#)

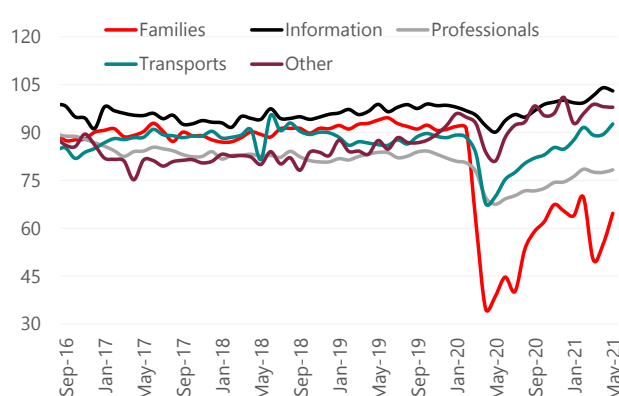
**The BCB's broad activity index (IBC-Br) comes out tomorrow (July 14), capping the batch of key activity releases for May.** We are looking for a monthly gain of 1.1% MoM-sa. Regarding our GDP scenario, we maintain our expectation of stability in 2Q21 (+0,0% QoQ-sa). Despite the recent positive results in services and retail, we highlight that the agricultural sector may partially give back its 1Q21 positive contribution, which, along with the expected weak quarterly outcome for industry, should create something of a drag on the recovery. **For details on Santander's economic activity scenario, please refer to our last chartbook<sup>2</sup>.**

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



Sources: IBGE, Santander.

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



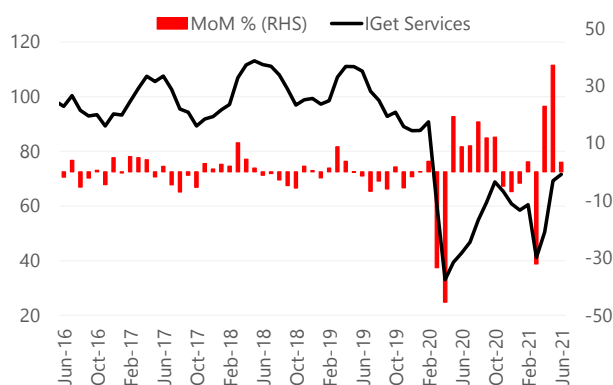
Sources: IBGE, Santander.

<sup>1</sup> Santander Brazil Economic Activity - "*Serviços continuam crescendo em junho*" – July 5, 2021 – Available (in Portuguese) on: <https://bit.ly/Std-IGETser-jun-21>

<sup>2</sup> Santander Brazil Economic Activity - "*Chartbook – Better Outlook Due to Mobility and Commodities*" – July 6, 2021 - Available on: <https://bit.ly/Std-chart-econact-jul21>

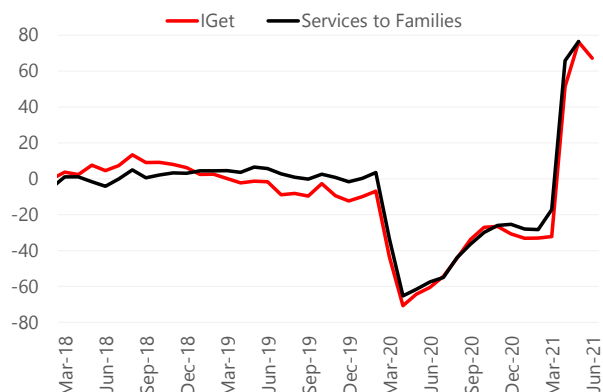


Figure 3.A – IGet Services (sa, 2016=100)



Source: Santander.

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



Sources: IBGE, Santander.

Figure 4 – “Heatmap” Showing Services Volume by Subsector

By Subsector (% MoM sa)													
	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21
<b>Families</b>	11.82	15.21	-10.07	32.84	10.49	5.25	8.53	-2.97	-2.29	9.08	-27.98	9.36	17.85
Accommodation and Food	12.23	15.53	-10.61	34.04	18.11	6.00	8.18	-3.05	-3.15	8.67	-28.77	9.00	17.98
Other Services to Families	-0.41	2.68	3.61	6.98	11.96	-5.18	1.71	0.00	0.84	4.16	-2.72	1.97	5.48
<b>Information</b>	-2.17	4.00	2.03	-0.84	2.11	2.07	0.71	0.60	-0.80	0.00	2.22	2.46	-0.96
Technology	-2.41	3.71	1.59	-1.08	1.48	1.75	0.10	0.67	0.66	0.00	1.79	3.06	-1.62
Telecommunications	-0.92	0.58	0.35	0.12	0.34	-0.11	-0.46	0.00	1.96	-1.58	0.00	0.80	0.00
Information	-2.87	4.05	6.28	-3.73	3.44	5.51	0.67	2.46	-1.23	1.97	4.45	5.37	-1.87
Audiovisual and News	-4.55	6.48	6.62	3.52	5.83	0.15	5.96	1.15	-13.12	5.09	5.94	1.03	2.04
<b>Professional</b>	-3.02	2.52	1.45	2.14	0.00	1.12	2.48	0.27	2.28	3.02	-1.15	-0.13	1.03
Technical and Professional	-9.39	2.51	9.14	1.20	-0.30	3.11	3.02	-1.39	2.12	3.46	-1.20	0.41	1.35
Administrative	-1.67	2.13	0.69	0.69	1.37	0.54	1.61	1.59	1.30	3.98	-1.73	-1.26	1.53
<b>Transportation</b>	3.40	7.57	2.92	3.61	2.12	1.22	2.77	-0.59	3.30	4.57	-2.62	0.22	3.69
Ground Transportation	6.21	3.41	6.75	4.26	2.82	1.65	2.16	-3.04	4.90	5.84	-2.33	-0.63	3.29
Water Transportation	-1.20	-2.29	1.54	-1.51	3.15	1.35	-1.19	1.98	3.41	2.22	1.38	7.00	-3.33
Air Transport	19.08	64.08	20.41	15.97	17.80	0.54	5.90	2.20	13.22	-7.88	-17.91	-21.81	60.74
Storage and Mail	0.77	5.67	1.03	2.15	-1.30	1.82	1.89	0.98	1.06	5.36	-1.36	1.10	3.64
<b>Other Services</b>	-3.34	9.12	4.29	1.08	5.36	-3.05	0.73	5.21	-8.02	3.23	3.02	-0.71	-0.20

Sources: IBGE, Santander.



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