

Monthly Expansion Driven by Services to Families

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- **Services sector growth was in line with our expectations in July.** The headline index rose 1.1% MoM-sa (+17.8% YoY), in line with market consensus and our estimate (both at 18% YoY). July's figure marked the fourth gain in a row, reinforcing the full erasure of March's losses (-3.0%) and placing the index 3.9% above the pre-pandemic mark.
- **Among subsectors, July's figure did not reflect widespread growth.** Services to families were in the spotlight, climbing 3.8% MoM-sa (+76.3% YoY); however, the segment still shows a 23% gap in comparison to the pre-crisis mark. Professional Services slightly expanded 0.6%, while all the remaining subsectors posted weak figures.
- **July's figure marks a positive start of the quarter for the more cyclical services segments and implies a 2.9% carryover for 3Q21.** Based on the data available up to now, our tracking for July IBC-Br stands at -0.2% MoM-sa (+3.8% YoY).

Figure 1. Services Sector Breakdown

	Weights	% MoM			% YoY			% QoQ		
		May-21	Jun-21	Jul-21	May-21	Jun-21	Jul-21	May-21	Jun-21	Jul-21
Total Services	100%	1.9	1.8	1.1	23.3	21.2	17.8	1.1	2.1	3.1
Families	8%	11.9	6.4	3.8	76.8	73.0	76.3	-14.7	1.6	13.2
Accommodation and Food	7%	13.0	6.7	4.4	87.9	82.4	86.3	-15.8	1.8	14.5
Other Services to Families	1%	7.4	2.9	0.9	35.8	34.7	33.8	3.7	6.9	9.8
Information	31%	-0.5	2.6	-0.4	14.1	13.9	11.2	3.8	4.6	3.5
Technology	26%	-1.0	1.4	0.4	12.5	10.8	10.0	3.7	3.8	2.5
Telecommunication	19%	0.1	-0.5	1.0	1.9	0.7	2.0	0.2	0.2	0.6
Information Technology	7%	-0.9	1.4	1.2	31.5	26.6	23.4	8.3	8.3	5.0
Audiovisual	5%	1.7	18.8	-11.6	31.5	46.6	22.5	5.9	15.0	12.9
Professional/Adm	23%	2.1	1.5	0.6	16.3	16.7	14.1	2.4	1.9	2.7
Professional	7%	3.5	1.3	4.4	25.7	21.5	22.7	4.1	3.9	5.9
Administrative	16%	2.5	1.2	-0.6	12.7	14.8	10.7	1.6	1.1	1.8
Transportation	31%	4.2	1.6	-0.2	32.6	27.7	20.9	3.1	3.3	4.5
Ground Transportation	18%	4.1	0.9	-0.2	32.8	29.2	21.5	3.6	2.1	3.0
Water Transportation	2%	-3.6	0.3	4.4	14.0	15.3	21.2	7.8	6.6	3.1
Air Transport	3%	73.9	18.9	-7.8	217.5	161.5	95.7	-14.1	7.3	49.2
Storage and Mail	9%	5.0	-3.5	-0.2	23.0	14.4	10.1	3.3	2.1	1.4
Other Services	7%	1.0	2.4	-0.5	22.2	15.5	10.8	2.4	4.1	3.1

Sources: IBGE, Santander.

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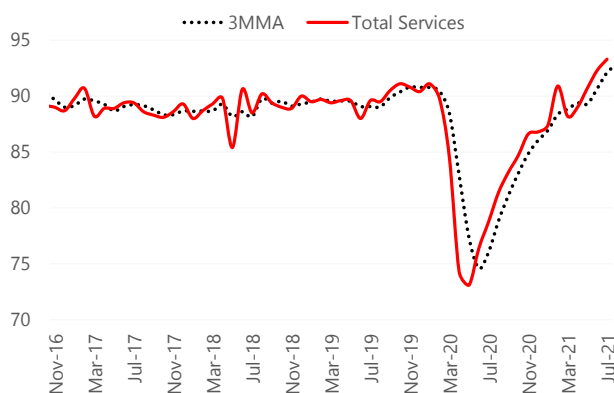


Services sector's real revenue expanded in July, marking a positive start to 3Q21. The headline index was up 1.1% MoM-sa (17.8% YoY), in line with market consensus and our estimate (both at 18% YoY). July's figure was the fourth gain in a row, reinforcing the full erasure of March's losses (-3.0%) and placing the headline index 3.9% above the pre-pandemic mark. This favorable start to quarter highlights the positive contribution of cyclical services to growth in 3Q21, implying a 2.9% carryover in the quarter, notably those that are still some idle compared to the pre-crisis period.

Among the subsectors, less-than-expected widespread growth. Services to families were in the spotlight, climbing 3.8% MoM-sa (+76.3% YoY), slightly below the 79.5% YoY growth forecast by our proprietary index (IGet Services) and fully erasing March's losses (-27.8% MoM-sa). However, the segment still shows significant idleness, recording a 23% gap relative to the pre-crisis figure. Professional services posted the third gain in a row (up 0.6%) and surpassed the pre-crisis mark. Conversely, the remaining categories posted weak figures in July. The transports segment disappointed by retreating 0.2%, owing mainly to decreased ground transports (down 0.2%), highly correlated with industrial production and air transports (down 7.8%), the latter still at a 15.2% gap versus the pre-crisis mark.

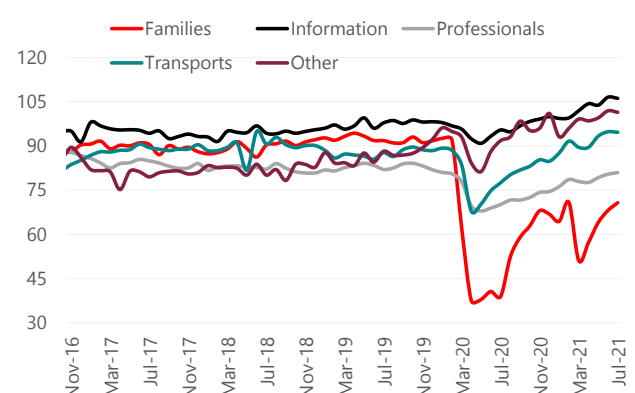
Based on IGet Services, our tracking for services to families in August stands at +3.8% MoM-sa (+41.4% YoY). We expect the services sector to be the main driver of the recovery, mainly those that still remain idle. Indeed, some important segments of the tertiary sector (accounting for nearly half of services GDP) are still running at depressed levels, which leaves room for growth as the public health crisis gradually subsides. **The BCB's broad activity index (IBC-Br) comes out tomorrow (September 15), capping the batch of key activity releases for July.** We are looking for a monthly retreat of 0.2% MoM-sa (+3.8% YoY). **For details on Santander's activity outlook, please refer to our last chartbook (to be updated soon):**

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



Sources: IBGE, Santander.

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

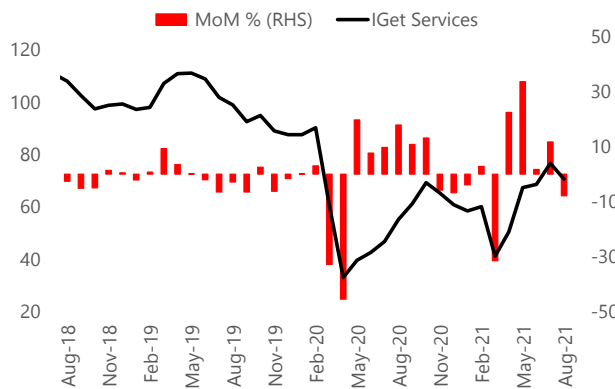


Sources: IBGE, Santander.

¹ Santander Brazil Economic Activity - "Chartbook – A Brighter Outlook for Mobility and Services" – August 18, 2021 - Available on: <https://bit.ly/Std-chart-econact-aug21>

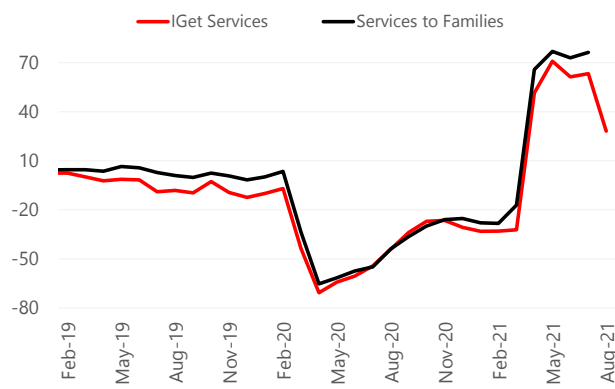


Figure 3.A – IGet Services (sa, 2016=100)



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)											
	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21
Families	34.70	12.60	6.61	8.11	-1.76	-3.59	9.94	-27.82	11.94	11.89	6.41	3.82
Accommodation and Food	39.35	12.96	8.22	9.18	-2.03	-3.99	10.17	-29.51	13.10	12.98	6.68	4.37
Other Services to Families	7.20	11.80	-5.03	1.88	0.00	0.84	4.33	-2.71	1.31	7.44	2.86	0.88
Information	-0.63	2.11	1.55	0.81	0.81	-0.60	0.20	2.41	2.36	-0.48	2.60	-0.38
Technology	-0.88	1.58	1.85	0.10	0.67	0.76	0.00	1.98	2.68	-0.99	1.36	0.45
Telecommunications	0.23	0.34	-0.23	-0.34	0.00	1.96	-1.58	0.11	0.69	0.11	-0.46	1.03
Information	-3.19	3.44	5.52	0.80	2.53	-1.17	2.17	4.24	4.81	-0.94	1.42	1.23
Audiovisual and News	3.18	6.01	0.15	5.81	1.16	-13.14	5.10	5.95	1.33	1.75	18.77	-11.58
Professional	2.14	0.00	1.26	2.34	0.40	2.28	3.15	-0.89	-0.39	2.06	1.52	0.62
Technical and Professional	1.35	-0.44	2.08	3.34	-1.41	2.71	3.33	-0.27	0.13	3.50	1.30	4.36
Administrative	0.69	1.37	0.68	1.61	1.46	1.43	3.98	-1.48	-1.25	2.54	1.24	-0.61
Transportation	3.48	2.00	1.59	2.65	-0.59	3.30	4.57	-2.29	0.00	4.25	1.61	-0.21
Ground Transportation	4.42	2.82	1.78	2.16	-3.03	4.90	5.84	-2.33	-1.13	4.06	0.85	-0.24
Water Transportation	-1.02	3.15	1.42	-1.26	1.91	3.34	2.29	1.38	7.34	-3.63	0.31	4.44
Air Transport	18.14	17.06	1.09	6.13	2.38	12.27	-5.91	-17.90	-21.61	73.90	18.93	-7.78
Storage and Mail	2.25	-1.10	1.82	2.19	0.97	1.35	5.99	-2.42	-0.28	4.98	-3.51	-0.18
Other Services	1.42	5.69	-3.25	0.84	5.21	-7.82	3.11	3.23	-0.61	1.02	2.41	-0.49

Sources: IBGE, Santander.



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