



LOSING STEAM?

Gabriel Couto*
gabriel.couto@santander.com.br
+5511 3553-8487

- **Services output decreased 0.9% MoM-sa (+0.9% YoY) in August, well below both market consensus (+0.4% MoM-sa; +2.8% YoY) and our estimate (+0.6% MoM-sa; +3.0% YoY).** The result represents a full pullback from July's result (+0.4% MoM-sa) and implies a +0.4% QoQ-sa carryover for 3Q23.
- **Zooming in on the details, negative signals across activities.** Services to families tumbled at the margin, by decreasing 3.8% MoM-sa (-1.5% YoY), fully offsetting the expansions from the past three months. Information services decreased 0.8% MoM-sa, the second drop in a row. Professional services increased 1.7% MoM-sa, fully offsetting July's 0.6% MoM-sa decrease and posting the only positive contribution to the result. Other services (a highly volatile subsector that includes activities such as brokerage, financial services, etc.) decreased 1.4% MoM-sa. Transportation decreased 2.1% MoM-sa, with all segments indicating negative figures. The diffusion index reached 25% (from 67% in July), with three out of twelve activities posting growth at the margin.
- **September available data provided more negative signals.** According to FGV, services confidence decreased 0.5% MoM-sa in September (to 96.9, below the 100 points neutral mark), while services PMI reached 48.7 points (from 50.6 in August, and now below the 50 points neutral mark). Our proprietary IGet index fell 2.2% MoM-sa in September. Looking ahead, we expect financial conditions to have a greater impact on services provided to firms in the coming months.
- **All in all, August's result showed worrying signals for services, not only due to the widespread contraction, but also due to the intensity of the negative variations.** Services to families' tumble was the lowlight of the release and indicates the possibility of a negative trend ahead. Despite the recent positive surprise in 2Q23 GDP result, we continue to see signs of deceleration for broad activity ahead, especially for more cyclical segments, owing to highly restrictive financial conditions. In addition, we expect negative contributions from farm output for 2H23, as the positive impact of the record summer crops was limited to 1Q23 and the beginning of 2Q23.
- **We revised our IBC-Br tracking for August to -0.9% MoM-sa (previously: -0.8% MoM-sa). Our 3Q23 GDP growth tracking is currently at -0.3% QoQ-sa (unchanged).** We continue to see signs of deceleration for broad activity ahead, as more cyclical segments indicate a continued slowing trend owing to highly restrictive financial conditions. In addition, we expect a negative contribution for farm output at the margin, following broad expansion in 1H23.

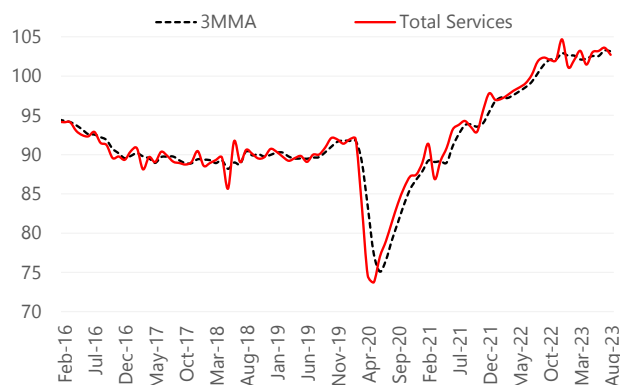


Figure 1 – Services Sector Details

	Services Breakdown								
	% MoM			% YoY			% QoQ		
	Jun-23	Jul-23	Aug-23	Jun-23	Jul-23	Aug-23	Apr-23	Jul-23	Aug-23
Total Services	0.2	0.4	-0.9	4.2	3.6	0.9	-0.4	1.0	0.6
Families	1.6	1.2	-3.8	5.3	5.0	-1.5	-1.0	2.7	2.1
Accommodation and Food	1.3	2.2	-3.5	5.3	5.9	-2.0	-0.3	2.4	2.4
Other Services to Families	4.0	-1.7	-1.3	5.5	-0.1	1.2	-2.8	2.6	2.1
Information	0.3	-0.2	-0.8	5.7	4.2	2.4	1.2	0.9	0.2
Technology	0.5	-0.3	-0.9	6.4	5.1	1.8	0.9	1.6	0.6
Audiovisual	-3.4	-1.7	4.7	0.8	-2.3	7.1	0.2	-0.3	-1.8
Professional	1.3	-0.6	1.7	3.9	3.3	5.6	0.6	0.9	0.8
Professional	5.0	-0.5	2.0	4.3	5.3	6.5	3.0	-1.8	0.9
Administrative	-0.6	-0.2	1.2	3.6	3.0	5.0	0.2	1.2	0.6
Transportation	-0.6	0.5	-2.1	4.6	2.5	-1.2	2.3	0.2	-1.1
Ground Transportation	0.6	0.4	-0.9	6.9	6.6	3.3	2.8	1.5	0.8
Water Transportation	-7.8	0.3	-1.3	4.4	1.6	-2.0	0.0	2.9	-3.0
Air Transport	-4.3	0.9	-0.3	13.5	9.9	8.6	5.7	6.4	1.4
Storage and Mail	-3.0	0.0	-5.5	-3.2	-8.2	-13.3	0.3	-5.7	-7.8
Other Services	-0.5	0.1	-1.4	-1.6	4.1	-6.2	-3.4	-0.5	-0.8
Sewage	-	-	-	2.3	1.4	0.9	-	-	-
Financial	-	-	-	-5.7	0.1	-2.9	-	-	-
Rents	-	-	-	14.8	9.9	13.5	-	-	-
Other	-	-	-	4.8	7.4	4.0	-	-	-
Touristic Activities	-0.3	0.9	-1.5	9.3	7.9	4.9	0.7	4.0	2.3

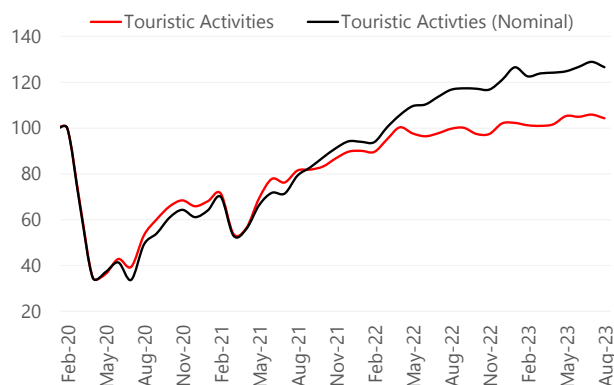
Sources: IBGE, Santander.

Figure 2 – Total Services (sa, average 2022= 100)



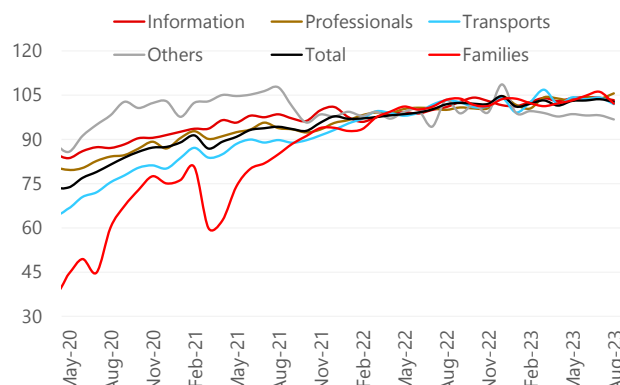
Sources: IBGE, Santander.

Figure 4 – Selected Segments (sa, Feb/20=100)



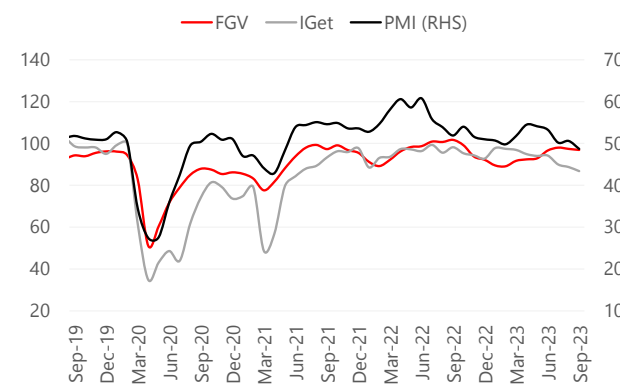
Sources: IBGE, Santander.

Figure 3 – Services Breakdown (sa, Feb/20=100)



Sources: IBGE, Santander.

Figure 5 – Services Confidence and IGet (sa)*



Sources: IBGE, FGV, Markit, Santander. *Neutral level: 100 points for FGV and 50 points for PMI.



Figure 6 – “Heatmap” Showing Services Output by Subsector

By Subsector (% MoM sa)												
	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23
Total Services	0.47	-0.28	-0.05	2.60	-3.39	0.90	1.14	-1.70	1.54	0.16	0.41	-0.87
Families	0.42	-2.07	-0.35	2.29	0.15	-1.44	-1.01	0.95	0.94	1.56	1.25	-3.78
Accommodation and Food	-1.26	-2.20	-0.94	3.29	0.71	-0.70	-3.05	2.93	-0.10	1.27	2.20	-3.53
Other Services to Families	3.45	-0.89	0.59	0.71	-1.11	-4.21	3.69	-1.47	0.30	4.02	-1.75	-1.32
Information	1.81	1.37	-1.10	-1.38	-0.32	1.34	1.36	-1.02	0.99	0.32	-0.19	-0.78
Technology	1.50	1.45	-1.10	-2.87	1.16	0.48	1.56	-1.16	1.60	0.51	-0.33	-0.94
Audiovisual	1.90	-2.96	8.00	-1.43	-3.17	1.68	4.18	-4.59	4.42	-3.43	-1.69	4.74
Professional	0.81	-0.33	0.06	4.00	-2.72	-1.26	3.79	-0.38	-0.69	1.25	-0.59	1.73
Professional	3.40	-3.52	0.41	2.54	-0.08	-0.65	1.06	6.56	-9.06	5.04	-0.53	1.97
Administrative	-0.04	0.71	0.38	3.33	-2.02	-0.09	2.13	-2.44	2.64	-0.57	-0.16	1.22
Transportation	-0.62	-1.64	0.31	2.84	-4.77	3.41	4.24	-4.59	2.25	-0.58	0.50	-2.11
Ground Transportation	-0.96	-0.53	0.06	2.16	-1.65	1.80	3.78	-3.42	2.03	0.65	0.41	-0.89
Water Transportation	-3.71	-0.51	4.10	-2.17	2.37	-0.66	1.26	-3.04	10.21	-7.79	0.28	-1.33
Air Transport	2.40	-9.94	3.41	7.71	-5.70	5.51	4.09	-2.94	9.90	-4.26	0.95	-0.27
Storage and Mail	1.09	-0.83	-0.06	0.61	-9.77	5.48	6.43	-7.10	-1.02	-3.00	0.04	-5.52
Other Services	-4.47	3.13	-2.76	9.62	-8.90	0.61	-0.64	-1.21	0.83	-0.47	0.05	-1.43

Sources: IBGE, Santander.

Figure 7 – “Heatmap” Showing Services Contribution by Subsector

By Subsector (contribution, sa p.p)													
	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	
Families	8%	0.03	-0.17	-0.03	0.19	0.01	-0.12	-0.08	0.08	0.08	0.13	0.10	-0.31
Accommodation and Food	7%	-0.09	-0.15	-0.07	0.23	0.05	-0.05	-0.21	0.21	-0.01	0.09	0.15	-0.25
Other Services to Families	1%	0.04	-0.01	0.01	0.01	-0.01	-0.05	0.04	-0.02	0.00	0.05	-0.02	-0.02
Information	23%	0.42	0.32	-0.26	-0.32	-0.07	0.31	0.32	-0.24	0.23	0.07	-0.04	-0.18
Technology	21%	0.31	0.30	-0.23	-0.59	0.24	0.10	0.32	-0.24	0.33	0.11	-0.07	-0.19
Audiovisual	3%	0.05	-0.08	0.22	-0.04	-0.09	0.05	0.12	-0.13	0.12	-0.09	-0.05	0.13
Professional	22%	0.18	-0.07	0.01	0.87	-0.59	-0.27	0.82	-0.08	-0.15	0.27	-0.13	0.37
Professional	8%	0.28	-0.30	0.03	0.21	-0.01	-0.05	0.09	0.55	-0.76	0.42	-0.04	0.17
Administrative	13%	0.00	0.09	0.05	0.44	-0.27	-0.01	0.28	-0.32	0.35	-0.08	-0.02	0.16
Transportation	36%	-0.23	-0.60	0.11	1.03	-1.74	1.24	1.54	-1.67	0.82	-0.21	0.18	-0.77
Ground Transportation	21%	-0.20	-0.11	0.01	0.45	-0.34	0.37	0.79	-0.71	0.42	0.13	0.08	-0.19
Water Transportation	2%	-0.07	-0.01	0.08	-0.04	0.04	-0.01	0.02	-0.06	0.19	-0.15	0.01	-0.02
Air Transport	3%	0.08	-0.32	0.11	0.25	-0.18	0.18	0.13	-0.09	0.31	-0.14	0.03	-0.01
Storage and Mail	11%	0.12	-0.09	-0.01	0.06	-1.03	0.58	0.68	-0.75	-0.11	-0.32	0.00	-0.58
Other Services	10%	-0.46	0.32	-0.28	0.98	-0.91	0.06	-0.07	-0.12	0.08	-0.05	0.01	-0.15

Sources: IBGE, Santander.



CONTACTS / IMPORTANT DISCLOSURES

Brazil Macro Research

Ana Paula Vescovi*	Chief Economist	anavescovi@santander.com.br	5511-3553-8567
Adriano Valladao Ribeiro*	Economist – Inflation	adriano.ribeiro@santander.com.br	5511-3553-7495
Ana Julia Carvalho*	Economist – Special Projects	ana.carvalho.silva@santander.com.br	5511-3553-8071
Daniel Karp Vasquez*	Economist – Inflation	daniel.karp@santander.com.br	5511-3553-9828
Felipe Kotinda*	Economist – Commodities	felipe.kotinda@santander.com.br	5511-3553-8071
Gabriel Couto*	Economist – Activity	gabriel.couto@santander.com.br	5511-3553-8487
Gilmar Lima*	Economist – Modeling	gilmar.lima@santander.com.br	5511-3553-6327
Henrique Danyi Correia*	Economist – Credit / Monetary Policy	henrique.danyi@santander.com.br	5511-3553-7350
Ítalo Franca*	Economist – Fiscal Policy	italo.franca@santander.com.br	5511-3553-5235
Jankiel Santos*	Economist – External Sector	jankiel.santos@santander.com.br	5511-3012-5726
Rodolfo Pavan*	Economist – Special Projects	rodolfo.almeida@santander.com.br	5511-3553-8071
Tomas Urani*	Economist – Global Economics	tomas.urani@santander.com.br	5511-3553-9520

Global Macro Research

Maciej Reluga*	Head Macro, Rates & FX Strategy – CEE	maciej.reluga@santander.pl	48-22-534-1888
Rodrigo Park *	Economist – Argentina	rpark@santander.com.ar	54-11-4341-1272
Ana Paula Vescovi*	Economist – Brazil	anavescovi@santander.com.br	5511-3553-8567
Juan Pablo Cabrera*	Economist – Chile	jcabrera@santander.cl	562-2320-3778
Guillermo Aboumrad*	Economist – Mexico	gjaboumrad@santander.com.mx	5255-5257-8170
Piotr Bielski*	Economist – Poland	piotr.bielski@santander.pl	48-22-534-1888
Mike Moran	Head of Macro Research, US	mike.moran@santander.us	212-350-3500

Fixed Income Research

Juan Arranz*	Chief Rates & FX Strategist – Argentina	jarranz@santander.com.ar	5411-4341-1065
Juan Pablo Cabrera*	Chief Rates & FX Strategist – Chile	jcabrera@santander.cl	562-2320-3778

Equity Research

Miguel Machado*	Head Equity Research Americas	mmachado@santander.com.mx	5255 5269 2228
Alan Alanis*	Head, Mexico	aalanis@santander.com.mx	5552-5269-2103
Andres Soto	Head, Andean	asoto@santander.us	212-407-0976
Walter Chiarvesio*	Head, Argentina	wchiarvesio@santander.com.ar	5411-4341-1564
Aline de Souza Cardoso*	Head, Brazil	aline.souza.cardoso@santander.com.br	5511-3553-1684

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