

SERVICES IN LINE WITH EXPECTATIONS IN JULY

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- **Services output increased 0.5% MoM-sa (+3.5% YoY) in July, in line with both market consensus and our estimate (both at +0.5% MoM-sa; +3.5% YoY).** The result represents an acceleration from June's result (+0.2% MoM-sa) and implies a 1.1% QoQ-sa carryover for 3Q23.
- **Zooming in on the details, mixed signals across activities.** Services to families posted another positive contribution to the result, increasing 1.0% MoM-sa (+4.9% YoY), the third expansion in a row. Information services decreased 0.2% MoM-sa. Professional services decreased 1.1% MoM-sa, fully offsetting June's 1.1% MoM-sa increase. Other services (a highly volatile subsector that includes activities such as brokerage, financial services, etc.) increased 0.6% MoM-sa. Transportation increased 0.6% MoM-sa, a rebound from June's 0.4% MoM-sa decrease. The diffusion index reached 67% (from 33% in June), with eight out of twelve activities posting growth at the margin.
- **August available data provide mostly negative signals.** According to FGV, services confidence decreased 0.6% MoM-sa in August (to 97.4, below the 100 points neutral mark), while services PMI reached 50.6 points (from 50.2 in July, slightly above the 50 points neutral mark). Our proprietary IGet index fell 1.4% MoM-sa in August. Services activities played a major role in cushioning the initial impacts of restrictive financial conditions that began to be felt in 3Q22 (hitting mainly goods-related activities). Looking ahead, we expect financial conditions to have a greater impact on services provided to firms in the coming months.
- **All in all, July's result showed more positive signals for services, probably on the heels of a still resilient labor market, reflected in the expansion observed for services to families.** 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.

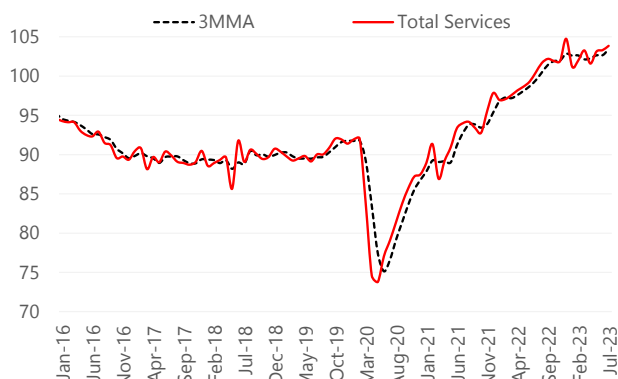


Figure 1 – Services Sector Details

	Services Breakdown								
	% MoM			% YoY			% QoQ		
	May-23	Jun-23	Jul-23	May-23	Jun-23	Jul-23	Mar-23	Jun-23	Jul-23
Total Services	1.5	0.2	0.5	5.1	4.0	3.5	-0.7	0.5	1.1
Families	1.1	1.7	1.0	2.4	5.3	4.9	0.1	1.6	3.1
Accommodation and Food	0.1	1.4	1.8	2.3	5.2	5.8	1.0	1.3	2.5
Other Services to Families	0.7	4.3	-1.5	3.0	5.5	-0.5	-2.9	1.0	3.5
Information	1.0	-0.1	-0.2	5.3	5.1	3.6	-0.3	1.0	0.7
Technology	1.6	0.0	-0.3	5.1	5.7	4.3	-0.3	1.1	1.2
Audiovisual	4.3	-3.6	-1.6	7.4	1.2	-1.8	1.0	0.0	-0.7
Professional	-0.6	1.1	-1.1	3.8	4.0	3.2	0.2	1.4	0.6
Professional	-8.5	4.3	-0.7	1.6	4.3	5.3	1.6	2.3	-1.8
Administrative	2.6	-0.7	-0.5	5.6	3.8	2.7	0.9	0.4	1.1
Transportation	2.2	-0.4	0.6	7.2	4.6	2.5	0.7	0.7	0.5
Ground Transportation	2.0	0.9	0.7	9.3	6.8	6.7	2.5	1.3	1.8
Water Transportation	9.9	-7.6	0.5	15.7	4.2	1.4	2.3	1.5	2.9
Air Transport	10.0	-4.2	1.0	14.2	13.5	9.8	5.0	6.7	6.6
Storage and Mail	-0.9	-2.7	0.3	-1.0	-3.2	-8.1	-4.0	-2.8	-5.2
Other Services	0.8	-0.4	0.3	0.5	-1.6	4.2	-3.7	-0.8	-0.3
Sewage	-	-	-	6.1	2.3	2.2	-	-	-
Financial	-	-	-	-7.5	-5.7	0.1	-	-	-
Rents	-	-	-	11.8	14.8	9.8	-	-	-
Other	-	-	-	-1.4	4.8	7.3	-	-	-
Touristic Activities	3.8	-0.1	0.7	8.4	9.3	7.8	2.6	2.6	4.3

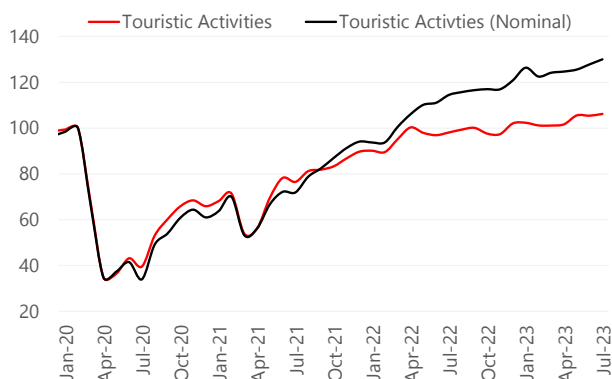
Sources: IBGE, Santander.

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



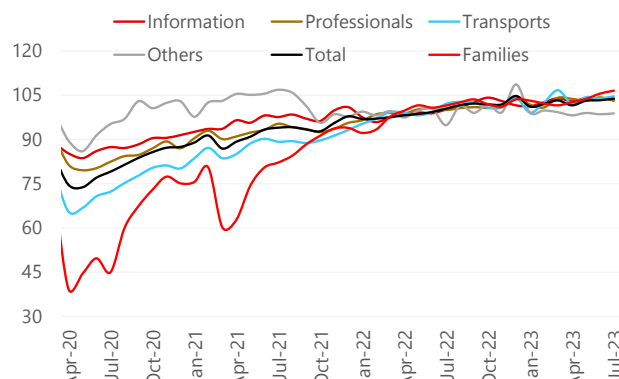
Sources: IBGE, Santander.

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



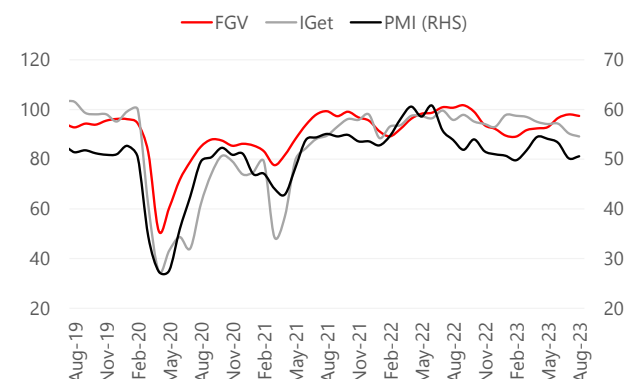
Sources: IBGE, Santander.

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)											
		Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23
Total Services		1.19	0.52	-0.26	-0.02	2.80	-3.41	0.81	1.24	-1.62	1.52	0.17	0.53
Families		1.03	1.02	-1.61	-0.75	2.39	-0.40	-0.94	-0.61	1.05	1.07	1.73	0.96
Accommodation and Food		2.22	0.08	-1.87	-0.98	2.92	0.63	-0.62	-2.36	2.60	0.08	1.36	1.78
Other Services to Families		-3.98	4.15	-0.59	0.54	-0.42	0.22	-6.32	3.91	-1.25	0.68	4.35	-1.47
Information		0.75	1.83	1.43	-1.13	-1.39	-0.32	1.34	1.34	-1.01	1.01	-0.09	-0.17
Technology		2.14	1.48	1.49	-1.09	-2.87	1.18	0.46	1.53	-1.16	1.62	0.02	-0.35
Audiovisual		-2.58	1.26	-3.19	7.92	-1.27	-3.16	1.84	4.00	-4.72	4.34	-3.63	-1.62
Professional		0.64	0.33	-0.29	0.26	3.61	-2.61	-0.98	3.27	-0.36	-0.57	1.06	-1.12
Professional		1.66	3.07	-3.61	0.32	2.54	-0.06	-0.71	1.01	6.52	-8.54	4.34	-0.65
Administrative		-0.41	-0.21	0.70	0.37	3.30	-1.85	-0.20	1.92	-2.24	2.61	-0.70	-0.46
Transportation		0.68	-0.28	-1.59	0.30	2.96	-4.84	3.43	4.13	-4.31	2.15	-0.37	0.64
Ground Transportation		1.29	-0.89	-0.50	0.03	2.28	-1.38	1.58	4.05	-3.37	1.96	0.86	0.65
Water Transportation		0.55	-2.70	-0.55	4.09	-2.00	2.29	-0.60	1.34	-2.87	9.92	-7.62	0.50
Air Transport		0.56	2.43	-9.93	3.36	7.64	-5.75	5.52	3.91	-2.78	10.01	-4.16	0.97
Storage and Mail		-0.10	1.21	-0.92	0.03	0.58	-9.70	5.32	6.66	-6.95	-0.91	-2.75	0.34
Other Services		6.90	-2.33	2.80	-2.53	9.53	-8.82	0.73	-0.57	-1.06	0.81	-0.44	0.30

Sources: IBGE, Santander.

Figure 7 – “Heatmap” Showing Services Contribution by Subsector

		By Subsector (contribution, sa p.p)											
		Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23
Families	8%	0.09	0.08	-0.13	-0.06	0.20	-0.03	-0.08	-0.05	0.09	0.09	0.14	0.08
Accommodation and Food	7%	0.16	0.01	-0.13	-0.07	0.21	0.04	-0.04	-0.17	0.18	0.01	0.10	0.13
Other Services to Families	1%	-0.05	0.05	-0.01	0.01	-0.01	0.00	-0.08	0.05	-0.02	0.01	0.05	-0.02
Information	23%	0.17	0.43	0.33	-0.26	-0.33	-0.07	0.32	0.31	-0.24	0.24	-0.02	-0.04
Technology	21%	0.44	0.31	0.31	-0.23	-0.59	0.24	0.10	0.32	-0.24	0.33	0.01	-0.07
Audiovisual	3%	-0.07	0.04	-0.09	0.22	-0.04	-0.09	0.05	0.11	-0.13	0.12	-0.10	-0.04
Professional	22%	0.14	0.07	-0.06	0.06	0.78	-0.57	-0.21	0.71	-0.08	-0.12	0.23	-0.24
Professional	8%	0.14	0.26	-0.30	0.03	0.21	0.00	-0.06	0.08	0.55	-0.72	0.36	-0.05
Administrative	13%	-0.06	-0.03	0.09	0.05	0.44	-0.25	-0.03	0.26	-0.30	0.35	-0.09	-0.06
Transportation	36%	0.25	-0.10	-0.58	0.11	1.08	-1.76	1.25	1.50	-1.57	0.78	-0.14	0.23
Ground Transportation	21%	0.27	-0.19	-0.10	0.01	0.47	-0.29	0.33	0.84	-0.70	0.41	0.18	0.14
Water Transportation	2%	0.01	-0.05	-0.01	0.08	-0.04	0.04	-0.01	0.03	-0.05	0.19	-0.14	0.01
Air Transport	3%	0.02	0.08	-0.32	0.11	0.24	-0.18	0.18	0.12	-0.09	0.32	-0.13	0.03
Storage and Mail	11%	-0.01	0.13	-0.10	0.00	0.06	-1.02	0.56	0.70	-0.73	-0.10	-0.29	0.04
Other Services	10%	0.71	-0.24	0.29	-0.26	0.98	-0.90	0.07	-0.06	-0.11	0.08	-0.05	0.03

Sources: IBGE, Santander.



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