

NEGATIVE PRINT FOR SERVICES IN APRIL

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- **Services output decreased 1.6% MoM-sa (+2.7% YoY) in April, below both market consensus of -0.1% MoM-sa (+4.5% YoY) and our estimate of -0.6% MoM-sa (+4.0% YoY).** The result fully offset March's increase (+1.4% MoM-sa). There were also revisions in the series, as the January, February and March results now point to 5.2%, 4.8%, and 6.5% YoY variations, respectively (from 5.9%, 5.2%, and 6.3% YoY, respectively). April's result leaves a -0.5% QoQ-sa carryover for 2Q23 (-0.7% QoQ-sa in 1Q23).
- **Zooming in on the details, mostly negative signals across activities.** Services to families posted the only positive contribution to the result, increasing 1.2% MoM-sa (+2.9% YoY), after three contractions in a row. Information services decreased 1.0% MoM-sa, after positive results in February and March (+1.4% MoM-sa for both months). Professional services decreased 0.6% MoM-sa, as other services (a highly volatile subsector that includes activities such as brokerage, financial services, etc.) decreased 1.1% MoM-sa. Transportation declined 4.4% MoM-sa and was the main negative contribution to the result, as a result of decreases in all its segments. All in all, the diffusion index reached 33% (from 75% in March), with four of twelve activities posting growth at the margin.
- **May available data provide mixed signals.** According to FGV, services confidence increased 0.5% in May (to 92.9, below the 100 points neutral mark), while services PMI reached 54.1 points (from 54.5 in April, above the 50 points neutral mark). Our proprietary IGet index dropped 0.5% MoM-sa in May. Services activities played a major role in cushioning the initial impacts of restrictive financial conditions that began to be felt throughout 3Q22 (hitting mainly goods-related activities), owing mainly to subsectors benefiting from tax cuts and to mobility normalization (in the wake of the economy's reopening consolidation). Looking ahead, we do not expect these elements to be repeated, and we expect financial conditions to have a greater impact on services provided to firms in the coming months.
- **We are revising our IBC-Br tracking for April to +0.2% MoM-sa (from +0.4% MoM-sa), considering the weaker result for services.** We highlight that April's broad activity result is still likely to be influenced by the strong figure from the record summer grain crops. Our 2Q23 GDP growth tracking is currently at +0.0% QoQ-sa. 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 the positive impact of the record summer crops to be limited to 1Q23 and the beginning of 2Q23.

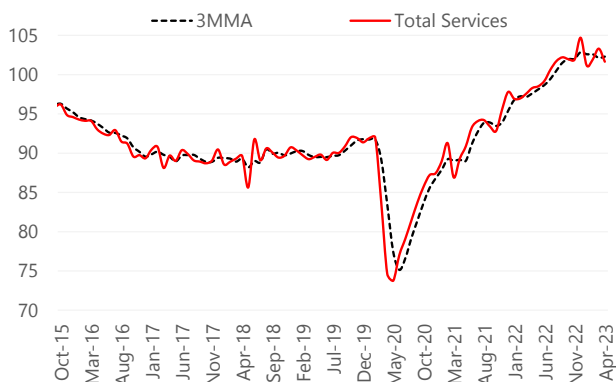


Figure 1 – Services Sector Details

	Services Breakdown								
	% MoM			% YoY			% QoQ		
	Feb-23	Mar-23	Apr-23	Feb-23	Mar-23	Apr-23	Oct-22	Jan-23	Apr-23
Total Services	0.8	1.4	-1.6	4.8	6.5	2.7	2.5	0.6	-0.3
Families	-0.9	-1.1	1.2	10.4	3.3	2.9	1.2	0.1	-0.6
Accommodation and Food	-0.7	-2.9	3.7	11.8	3.4	1.7	1.9	0.2	0.0
Other Services to Families	-5.1	5.6	3.5	2.7	2.9	10.0	0.9	2.0	-0.6
Information	1.4	1.4	-1.0	6.9	6.6	4.0	3.1	-0.7	1.3
Technology	0.5	1.5	-1.2	7.5	6.5	4.4	3.9	-1.2	0.8
Audiovisual	1.9	4.1	-4.2	2.8	7.5	1.7	-1.9	4.1	0.6
Professional	-1.1	3.5	-0.6	2.0	6.0	4.0	0.3	1.9	0.4
Professional	-0.6	1.4	3.6	6.1	4.6	11.0	2.1	0.9	2.4
Administrative	-0.3	2.2	-2.5	1.3	6.8	0.9	-0.3	2.3	0.1
Transportation	3.2	4.1	-4.4	5.3	8.6	2.0	2.0	-0.6	2.1
Ground Transportation	1.7	4.1	-3.5	10.7	13.8	6.8	1.8	0.2	2.9
Water Transportation	-0.7	1.1	-2.0	9.6	17.1	8.5	1.6	2.1	0.1
Air Transport	4.7	2.7	-2.5	4.2	-7.5	-16.7	0.0	-0.4	3.9
Storage and Mail	5.4	6.7	-6.7	-3.8	2.0	-2.2	3.9	-2.7	0.7
Other Services	0.7	-0.7	-1.1	0.6	0.5	-0.9	2.4	1.5	-3.3
Sewage	-	-	-	3.6	9.1	2.2	-	-	-
Financial	-	-	-	-5.9	-4.7	-8.3	-	-	-
Rents	-	-	-	12.4	15.9	12.8	-	-	-
Other	-	-	-	11.8	13.9	5.3	-	-	-
Touristic Activities	-1.4	-0.1	-0.1	14.2	6.3	1.4	1.2	1.2	0.1

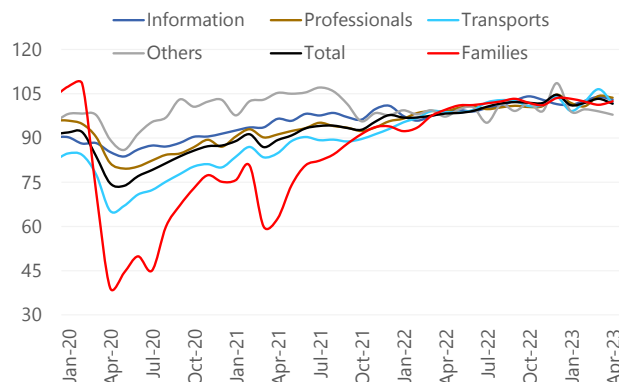
Sources: IBGE, Santander.

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



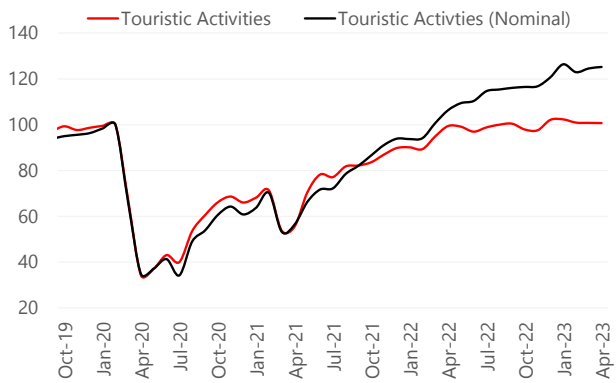
Sources: IBGE, Santander.

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



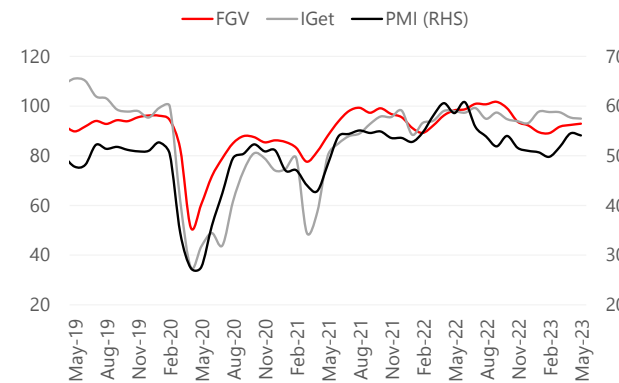
Sources: IBGE, Santander.

Figure 4 – Selected Segments (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)											
		May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23
Total Services		0.23	0.68	1.45	1.09	0.47	-0.24	-0.04	2.73	-3.38	0.75	1.35	-1.61
Families		1.50	0.12	0.59	0.63	0.86	-1.31	-0.79	2.39	-0.23	-0.94	-1.06	1.17
Accommodation and Food		-2.04	-1.17	2.24	1.58	-0.32	-1.80	-0.63	2.99	0.57	-0.68	-2.86	3.72
Other Services to Families		1.30	3.11	2.39	-4.25	4.38	-0.63	0.64	0.90	-0.78	-5.10	5.58	3.54
Information		0.87	-0.45	1.17	0.77	1.79	1.35	-1.13	-1.41	-0.28	1.37	1.35	-0.99
Technology		1.54	-0.82	0.69	2.17	1.48	1.50	-1.14	-2.84	1.14	0.45	1.52	-1.21
Audiovisual		0.69	-0.04	0.73	-2.18	1.30	-2.98	7.83	-1.37	-3.07	1.91	4.13	-4.23
Professional		1.24	0.52	-0.97	0.59	0.55	-0.41	0.32	3.81	-2.63	-1.15	3.47	-0.57
Professional		2.00	2.98	-2.23	1.57	3.41	-3.60	0.60	2.44	-0.04	-0.59	1.43	3.62
Administrative		0.61	0.01	-0.11	-0.32	-0.24	0.66	0.41	3.27	-1.83	-0.29	2.18	-2.54
Transportation		-0.17	0.89	2.57	0.74	-0.31	-1.65	0.30	2.77	-4.61	3.20	4.14	-4.43
Ground Transportation		1.92	2.17	1.53	0.90	-0.97	-0.55	-0.08	2.22	-1.58	1.68	4.09	-3.50
Water Transportation		3.13	1.33	3.97	0.92	-3.14	-0.57	4.20	-1.75	1.96	-0.68	1.12	-1.98
Air Transport		-14.52	-9.27	7.18	0.41	2.51	-9.86	3.07	7.28	-5.82	4.71	2.66	-2.48
Storage and Mail		-0.61	-1.78	5.21	0.53	1.25	-0.80	0.14	0.72	-9.59	5.35	6.66	-6.65
Other Services		2.51	0.74	-5.24	6.52	-2.17	2.68	-2.65	9.58	-8.84	0.70	-0.69	-1.14

Sources: IBGE, Santander.

Figure 7 – “Heatmap” Showing Services Contribution by Subsector

		By Subsector (contribution, sa p.p)											
		May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23
Families	8%	0.12	0.01	0.05	0.05	0.07	-0.11	-0.07	0.20	-0.02	-0.08	-0.09	0.10
Accommodation and Food	7%	-0.14	-0.08	0.16	0.11	-0.02	-0.13	-0.04	0.21	0.04	-0.05	-0.20	0.26
Other Services to Families	1%	0.02	0.04	0.03	-0.05	0.05	-0.01	0.01	0.01	-0.01	-0.06	0.07	0.04
Information	23%	0.20	-0.11	0.27	0.18	0.42	0.32	-0.27	-0.33	-0.07	0.32	0.32	-0.23
Technology	21%	0.32	-0.17	0.14	0.45	0.31	0.31	-0.24	-0.59	0.24	0.09	0.31	-0.25
Audiovisual	3%	0.02	0.00	0.02	-0.06	0.04	-0.08	0.22	-0.04	-0.09	0.05	0.11	-0.12
Professional	22%	0.27	0.11	-0.21	0.13	0.12	-0.09	0.07	0.83	-0.57	-0.25	0.75	-0.12
Professional	8%	0.17	0.25	-0.19	0.13	0.29	-0.30	0.05	0.20	0.00	-0.05	0.12	0.30
Administrative	13%	0.08	0.00	-0.01	-0.04	-0.03	0.09	0.05	0.43	-0.24	-0.04	0.29	-0.34
Transportation	36%	-0.06	0.33	0.94	0.27	-0.11	-0.60	0.11	1.01	-1.68	1.16	1.51	-1.61
Ground Transportation	21%	0.40	0.45	0.32	0.19	-0.20	-0.11	-0.02	0.46	-0.33	0.35	0.85	-0.73
Water Transportation	2%	0.06	0.02	0.07	0.02	-0.06	-0.01	0.08	-0.03	0.04	-0.01	0.02	-0.04
Air Transport	3%	-0.46	-0.29	0.23	0.01	0.08	-0.31	0.10	0.23	-0.19	0.15	0.08	-0.08
Storage and Mail	11%	-0.06	-0.19	0.55	0.06	0.13	-0.08	0.01	0.08	-1.01	0.56	0.70	-0.70
Other Services	10%	0.26	0.08	-0.54	0.67	-0.22	0.27	-0.27	0.98	-0.90	0.07	-0.07	-0.12

Sources: IBGE, Santander.



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