



## SECOND INCREASE IN A ROW FOR SERVICES IN MARCH

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- **Services output increased 0.9% MoM-sa (+6.3% YoY) in March, above market consensus of +0.5% MoM-sa (+5.1% YoY) and close to our estimate of 0.8% MoM-sa (+5.5% YoY).** The result added to February's increase (+0.7% MoM-sa), partially offsetting January's drop (-3.0% MoM-sa). There was a slight downward revision in February's result, to +0.7% MoM-sa and +5.2% YoY (from +0.9% MoM-sa and +5.4% YoY). With the result, services output had a -0.3% QoQ-sa result in 1Q23 (+1.4% QoQ-sa in 4Q22). The statistical carryover calculated to 2Q23 is +0.8% QoQ-sa.
- **Zooming in on the details, mixed signals across activities.** Services to families decreased 1.7% MoM-sa (+3.7% YoY), the second contraction in a row. Information services increased 0.2% MoM-sa, adding to two positive results in January and February (+0.9% MoM-sa and +1.4% MoM-sa, respectively). Professional services increased 2.6% MoM-sa, as other services (a highly volatile subsector that includes activities such as brokerage, financial services, etc.) registered a 0.6% decrease. Transportation increased 3.6% MoM-sa, which after February's 3.3% MoM-sa increase, has fully offset January's 4.5% MoM-sa tumble, stemming mainly from increases in ground and air transport. All in all, the diffusion index reached 58% (stable compared to February), with seven of the twelve activities posting growth at the margin.
- **April available data provide mixed signals.** According to FGV, services confidence increased 0.8% in April (at 92.4, below the 100 points neutral mark), while services PMI reached 54.4 points (from 51.8 in March, above the 50 points neutral mark). However, our proprietary index IGet dropped 2.8% MoM-sa in April. 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 revised our IBC-Br tracking for March to -1.4% MoM-sa (from -1.5% MoM-sa), partially offsetting February's strong increase (+3.3% MoM-sa).** Our 1Q22 GDP growth tracking is at +1.0% QoQ-sa (unchanged). We forecast GDP growth of +1.0% in 2023, with a significant slowdown in domestic demand and in cyclical supply, stemming mainly from the expected global recession and the tight Brazil Central Bank (BCB) policy, but we expect strong growth for non-cyclical farm output, reflecting an all-time-high forecast for the grain harvest.

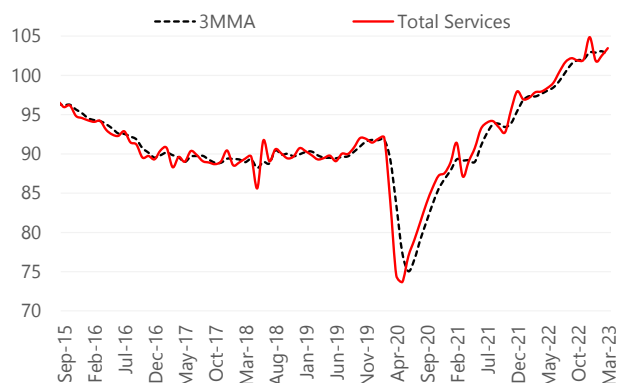


Figure 1 – Services Sector Details

	Services Breakdown								
	% MoM			% YoY			% QoQ		
	Jan-23	Feb-23	Mar-23	Jan-23	Feb-23	Mar-23	Sep-22	Dec-22	Mar-23
<b>Total Services</b>	<b>-2.9</b>	<b>0.7</b>	<b>0.9</b>	<b>5.9</b>	<b>5.2</b>	<b>6.3</b>	<b>3.0</b>	<b>1.4</b>	<b>-0.3</b>
<b>Families</b>	<b>0.1</b>	<b>-0.8</b>	<b>-1.7</b>	<b>11.4</b>	<b>10.7</b>	<b>3.7</b>	<b>2.0</b>	<b>-0.1</b>	<b>0.3</b>
Accommodation and Food	0.8	-0.6	-3.2	11.0	12.0	3.8	2.1	-0.7	1.1
Other Services to Families	-0.7	-5.0	4.7	14.1	3.0	3.0	3.1	1.4	-1.8
<b>Information</b>	<b>0.9</b>	<b>1.4</b>	<b>0.2</b>	<b>5.6</b>	<b>8.6</b>	<b>6.5</b>	<b>2.4</b>	<b>1.7</b>	<b>0.5</b>
Technology	2.7	0.5	0.3	6.4	9.5	6.5	2.8	1.4	0.7
Audiovisual	-2.6	1.8	4.1	-0.2	2.8	7.4	0.2	2.1	1.5
<b>Professional</b>	<b>-2.1</b>	<b>-1.4</b>	<b>2.6</b>	<b>8.1</b>	<b>2.4</b>	<b>5.5</b>	<b>0.3</b>	<b>1.8</b>	<b>0.3</b>
Professional	0.3	-1.3	0.2	8.7	6.1	4.0	2.1	-0.1	1.3
Administrative	-0.9	-0.6	1.1	8.9	1.9	6.3	0.0	1.8	1.3
<b>Transportation</b>	<b>-4.5</b>	<b>3.3</b>	<b>3.6</b>	<b>5.5</b>	<b>5.3</b>	<b>8.5</b>	<b>3.9</b>	<b>-0.3</b>	<b>0.7</b>
Ground Transportation	-2.1	2.1	3.3	14.1	10.7	13.9	4.0	0.0	2.2
Water Transportation	2.1	-0.6	0.0	11.6	9.6	14.7	5.8	-0.1	1.9
Air Transport	-5.7	5.8	1.7	-8.7	4.2	-7.6	-3.5	-3.9	4.3
Storage and Mail	-9.7	4.4	5.9	-4.6	-3.8	1.9	5.1	1.2	-4.5
<b>Other Services</b>	<b>-8.8</b>	<b>0.4</b>	<b>-0.6</b>	<b>0.6</b>	<b>0.1</b>	<b>0.0</b>	<b>-0.2</b>	<b>4.7</b>	<b>-4.0</b>
Sewage	-	-	-	<b>0.5</b>	3.4	9.0	-	-	-
Financial	-	-	-	<b>-1.6</b>	-5.9	-4.7	-	-	-
Rents	-	-	-	<b>19.8</b>	5.3	9.3	-	-	-
Other	-	-	-	<b>24.2</b>	13.8	15.5	-	-	-
Touristic Activities	0.5	-1.3	0.1	12.9	14.4	6.6	1.5	-0.4	2.7

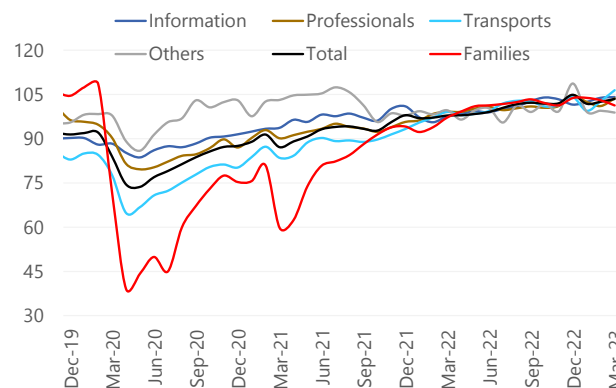
Sources: IBGE, Santander.

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



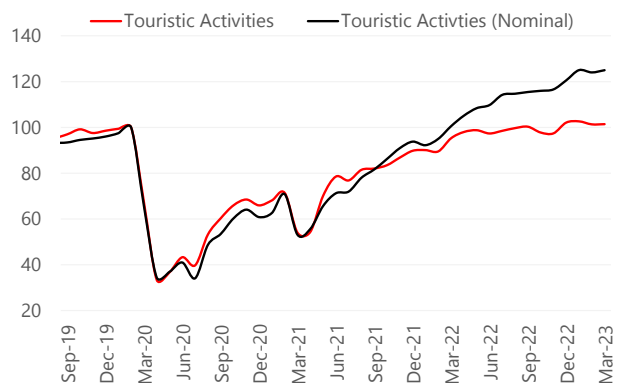
Sources: IBGE, Santander.

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



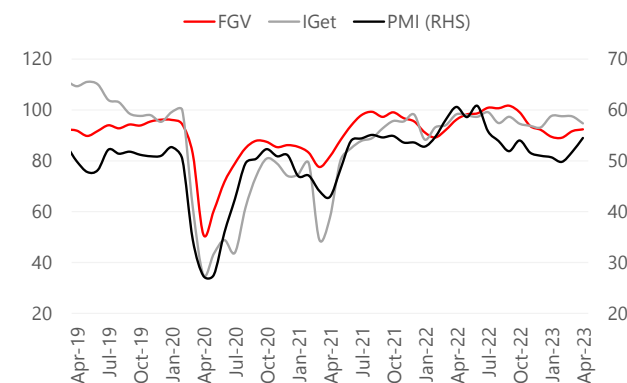
Sources: IBGE, Santander.

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)											
		Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23
<b>Total Services</b>		<b>0.09</b>	<b>0.46</b>	<b>0.68</b>	<b>1.42</b>	<b>1.23</b>	<b>0.47</b>	<b>-0.29</b>	<b>0.11</b>	<b>2.81</b>	<b>-2.89</b>	<b>0.67</b>	<b>0.92</b>
<b>Families</b>		<b>2.09</b>	<b>1.84</b>	<b>0.29</b>	<b>0.46</b>	<b>0.64</b>	<b>0.90</b>	<b>-1.23</b>	<b>-0.75</b>	<b>2.44</b>	<b>0.06</b>	<b>-0.79</b>	<b>-1.70</b>
Accommodation and Food		5.25	-0.87	-0.95	2.15	1.46	-0.30	-1.65	-0.45	2.93	0.77	-0.59	-3.21
Other Services to Families		-2.38	0.42	2.89	2.55	-4.38	4.41	-0.64	0.58	0.88	-0.73	-4.98	4.71
<b>Information</b>		<b>0.85</b>	<b>0.85</b>	<b>-0.34</b>	<b>1.17</b>	<b>0.83</b>	<b>1.81</b>	<b>1.17</b>	<b>-0.61</b>	<b>-1.72</b>	<b>0.90</b>	<b>1.36</b>	<b>0.24</b>
Technology		0.37	1.56	-0.66	0.71	2.21	1.48	1.34	-0.85	-3.15	2.68	0.55	0.28
Audiovisual		-2.52	1.38	0.10	0.72	-2.17	1.34	-2.88	8.21	-1.43	-2.65	1.79	4.14
<b>Professional</b>		<b>0.03</b>	<b>1.13</b>	<b>0.55</b>	<b>-1.08</b>	<b>0.64</b>	<b>0.60</b>	<b>-0.46</b>	<b>0.60</b>	<b>3.56</b>	<b>-2.11</b>	<b>-1.36</b>	<b>2.57</b>
Professional		-2.42	1.29	3.06	-2.44	1.56	3.31	-3.66	0.15	2.70	0.26	-1.26	0.24
Administrative		1.25	1.00	0.00	-0.08	-0.28	-0.21	0.60	0.58	3.21	-0.92	-0.59	1.08
<b>Transportation</b>		<b>-1.10</b>	<b>0.44</b>	<b>0.95</b>	<b>2.55</b>	<b>0.91</b>	<b>-0.26</b>	<b>-1.62</b>	<b>0.40</b>	<b>2.72</b>	<b>-4.45</b>	<b>3.28</b>	<b>3.62</b>
Ground Transportation		1.27	2.00	2.33	1.20	1.18	-0.67	-0.75	-0.08	2.71	-2.07	2.09	3.29
Water Transportation		4.13	4.15	1.51	3.74	0.93	-2.99	-0.78	4.52	-1.79	2.12	-0.63	-0.03
Air Transport		0.77	-12.73	-8.08	5.84	0.78	2.29	-9.81	3.20	7.42	-5.73	5.79	1.66
Storage and Mail		-5.18	0.18	-2.16	5.41	0.94	1.45	-0.62	0.36	0.89	-9.65	4.43	5.88
<b>Other Services</b>		<b>-3.20</b>	<b>3.28</b>	<b>0.66</b>	<b>-4.81</b>	<b>6.14</b>	<b>-2.24</b>	<b>2.79</b>	<b>-2.49</b>	<b>9.51</b>	<b>-8.85</b>	<b>0.37</b>	<b>-0.64</b>

Sources: IBGE, Santander.

Figure 7 – “Heatmap” Showing Services Contribution by Subsector

		By Subsector (contribution, sa p.p)											
		Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23
<b>Families</b>	8%	<b>0.17</b>	<b>0.15</b>	<b>0.02</b>	<b>0.04</b>	<b>0.05</b>	<b>0.07</b>	<b>-0.10</b>	<b>-0.06</b>	<b>0.20</b>	<b>0.00</b>	<b>-0.06</b>	<b>-0.14</b>
Accommodation and Food	7%	0.37	-0.06	-0.07	0.15	0.10	-0.02	-0.12	-0.03	0.21	0.05	-0.04	-0.23
Other Services to Families	1%	-0.03	0.01	0.03	0.03	-0.05	0.05	-0.01	0.01	0.01	-0.01	-0.06	0.06
<b>Information</b>	23%	<b>0.20</b>	<b>0.20</b>	<b>-0.08</b>	<b>0.28</b>	<b>0.20</b>	<b>0.42</b>	<b>0.27</b>	<b>-0.14</b>	<b>-0.40</b>	<b>0.21</b>	<b>0.32</b>	<b>0.06</b>
Technology	21%	0.08	0.32	-0.14	0.15	0.46	0.31	0.28	-0.18	-0.65	0.55	0.11	0.06
Audiovisual	3%	-0.07	0.04	0.00	0.02	-0.06	0.04	-0.08	0.23	-0.04	-0.07	0.05	0.11
<b>Professional</b>	22%	<b>0.01</b>	<b>0.25</b>	<b>0.12</b>	<b>-0.23</b>	<b>0.14</b>	<b>0.13</b>	<b>-0.10</b>	<b>0.13</b>	<b>0.77</b>	<b>-0.46</b>	<b>-0.30</b>	<b>0.56</b>
Professional	8%	-0.20	0.11	0.26	-0.20	0.13	0.28	-0.31	0.01	0.23	0.02	-0.11	0.02
Administrative	13%	0.17	0.13	0.00	-0.01	-0.04	-0.03	0.08	0.08	0.43	-0.12	-0.08	0.14
<b>Transportation</b>	36%	<b>-0.40</b>	<b>0.16</b>	<b>0.35</b>	<b>0.93</b>	<b>0.33</b>	<b>-0.09</b>	<b>-0.59</b>	<b>0.15</b>	<b>0.99</b>	<b>-1.62</b>	<b>1.20</b>	<b>1.32</b>
Ground Transportation	21%	0.26	0.42	0.49	0.25	0.25	-0.14	-0.16	-0.02	0.56	-0.43	0.44	0.68
Water Transportation	2%	0.08	0.08	0.03	0.07	0.02	-0.06	-0.01	0.08	-0.03	0.04	-0.01	0.00
Air Transport	3%	0.02	-0.40	-0.26	0.19	0.02	0.07	-0.31	0.10	0.24	-0.18	0.18	0.05
Storage and Mail	11%	-0.55	0.02	-0.23	0.57	0.10	0.15	-0.07	0.04	0.09	-1.02	0.47	0.62
<b>Other Services</b>	10%	<b>-0.33</b>	<b>0.34</b>	<b>0.07</b>	<b>-0.49</b>	<b>0.63</b>	<b>-0.23</b>	<b>0.29</b>	<b>-0.26</b>	<b>0.97</b>	<b>-0.91</b>	<b>0.04</b>	<b>-0.07</b>

Sources: IBGE, Santander.



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