

PARTIAL REBOUND FOR SERVICES IN FEBRUARY

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- **Services output increased 1.1% MoM-sa (+5.4% YoY) in February, above both market consensus of +0.5% MoM-sa (+5.1% YoY) and our estimate of 0.0% MoM-sa (+4.4% YoY).** The result was a partial rebound from January's decrease (-3.0% MoM-sa). The statistical carryover calculated to 1Q23 is -0.4% QoQ-sa (+1.3% QoQ-sa in 4Q22).
- **Zooming in on the details, mostly positive signals across activities.** Services to families decreased 0.7% MoM-sa (+11.5% YoY), after two strong increases in a row. Information services increased 1.6% MoM-sa, adding to January's positive result (+0.8% MoM-sa). Professional services decreased 1.0% MoM-sa, as other services (a highly volatile subsector that includes activities such as brokerage and financial services) were up 0.7%. Transportation increased 2.3% MoM-sa, partially recovering from January's 4.4% MoM-sa tumble, mainly as a result of increases in ground and air transport. All in all, the diffusion index reached 67% (vs. 42% in January), with 8 of 12 activities posting growth at the margin.
- **March available data provide mostly positive signals.** According to FGV, services confidence increased 2.9% in March (at 91.7, below the 100 points neutral mark), while services PMI reached 51.8 points (ufrom 49.8 in February, above the 50 points neutral mark). However, our proprietary index IGet dropped 0.2% and 0.1 % MoM-sa, respectively, in March and in the April preview. 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 believe financial conditions will have a greater impact on services provided to firms in the coming months.
- **Our IBC-Br tracking for February currently stands at +1.4% MoM-sa.** Our 1Q22 GDP growth tracking is at +0.5% QoQ-sa. We forecast GDP +0.8% 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.

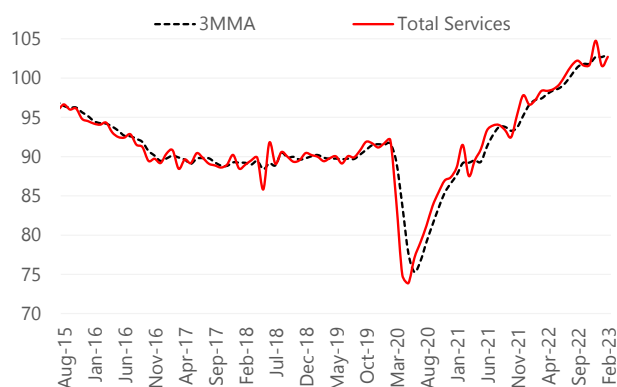


Figure 1 – Services Sector Details

	Services Breakdown								
	% MoM			% YoY			% QoQ		
	Dec-22	Jan-23	Feb-23	Dec-22	Jan-23	Feb-23	Sep-22	Dec-22	Feb-23
Total Services	3.0	-3.0	1.1	6.0	5.9	5.4	2.7	1.3	1.1
Families	2.5	1.0	-0.7	9.2	11.4	11.5	2.2	0.2	2.2
Accommodation and Food	3.1	1.1	0.2	8.8	11.0	12.9	2.1	-0.4	3.0
Other Services to Families	0.8	-0.7	-4.6	12.0	14.1	2.9	3.1	1.3	-1.1
Information	-2.2	0.8	1.6	0.0	5.6	8.7	2.7	1.8	-1.1
Technology	-3.2	2.7	0.6	-0.3	6.4	9.5	2.8	1.5	-1.4
Audiovisual	-1.5	-2.8	1.6	1.7	-0.2	2.8	-0.1	1.7	1.3
Professional	3.6	-2.1	-1.0	7.4	8.1	2.8	0.2	1.6	2.0
Professional	2.7	0.3	-0.8	7.9	8.7	6.8	2.1	-0.1	1.5
Administrative	3.2	-1.0	-0.6	7.3	8.9	2.2	-0.1	1.7	2.9
Transportation	2.5	-4.4	2.3	10.2	5.5	5.2	3.8	-0.2	0.0
Ground Transportation	2.9	-1.7	1.3	15.2	14.1	10.7	3.9	-0.4	1.6
Water Transportation	-1.9	2.2	-0.8	6.6	11.6	9.3	5.8	-0.1	1.9
Air Transport	7.4	-5.8	4.4	4.4	-8.7	4.2	-3.6	-4.1	3.2
Storage and Mail	0.8	-9.5	4.2	4.8	-4.6	-3.8	5.0	1.0	-4.3
Other Services	9.6	-8.6	0.7	10.1	0.6	0.6	-0.1	4.8	2.7
Sewage	-	-	-	-	0.5	3.3	-	-	-
Financial	-	-	-	-	-1.6	-5.9	-	-	-
Rents	-	-	-	-	19.8	11.6	-	-	-
Other	-	-	-	-	24.2	13.7	-	-	-
Touristic Activities	4.9	0.6	-0.7	12.6	12.9	14.8	1.6	-0.3	3.9

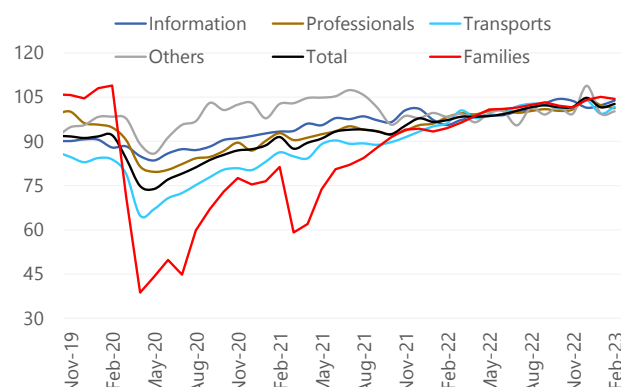
Sources: IBGE, Santander.

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



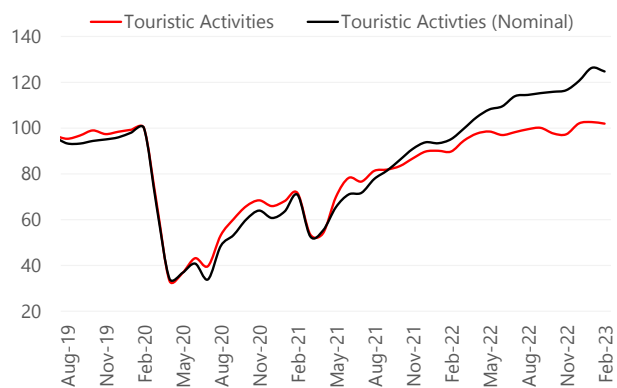
Sources: IBGE, Santander.

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



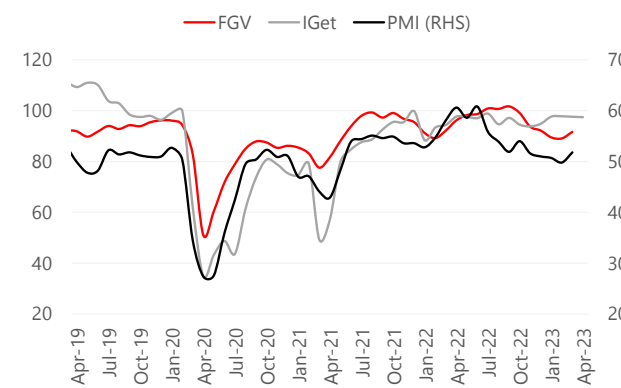
Sources: IBGE, Santander.

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)											
		Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23
Total Services		1.18	0.02	0.23	0.63	1.20	1.18	0.62	-0.61	0.11	2.99	-3.05	1.12
Families		1.98	2.33	2.28	0.21	0.45	0.84	0.90	-1.13	-0.56	2.51	0.97	-0.68
Accommodation and Food		2.23	5.11	-0.47	-1.16	1.98	1.58	-0.05	-1.55	-0.56	3.08	1.10	0.16
Other Services to Families		5.19	-3.00	0.30	2.99	2.54	-4.39	4.39	-0.70	0.55	0.83	-0.74	-4.58
Information		1.77	0.95	0.84	-0.14	1.29	0.94	1.82	1.45	-0.64	-2.21	0.78	1.63
Technology		3.15	0.42	1.57	-0.66	0.71	2.22	1.50	1.39	-0.89	-3.18	2.67	0.57
Audiovisual		4.77	-3.26	1.27	0.06	0.57	-2.26	1.23	-3.11	8.22	-1.54	-2.82	1.64
Professional		1.32	-0.36	1.13	0.62	-1.19	0.58	0.64	-0.57	0.44	3.65	-2.09	-1.03
Professional		5.67	-2.52	1.28	3.04	-2.46	1.54	3.30	-3.68	0.15	2.74	0.31	-0.75
Administrative		-1.79	1.06	0.96	-0.05	-0.11	-0.31	-0.24	0.42	0.69	3.20	-0.98	-0.63
Transportation		4.51	-2.54	0.73	0.74	2.48	0.86	-0.14	-1.49	0.38	2.45	-4.37	2.31
Ground Transportation		2.12	0.84	2.21	2.46	1.06	1.03	-0.72	-0.98	-0.32	2.92	-1.69	1.25
Water Transportation		-5.66	4.24	4.12	1.53	3.74	0.97	-3.00	-0.46	4.16	-1.86	2.18	-0.81
Air Transport		33.71	-7.18	-13.13	-9.17	6.99	0.45	2.49	-10.03	3.17	7.45	-5.83	4.42
Storage and Mail		3.37	-5.96	0.28	-2.24	5.32	0.98	1.40	-0.72	0.31	0.80	-9.47	4.20
Other Services		1.00	-2.87	3.17	0.72	-4.79	6.16	-2.16	2.75	-2.45	9.57	-8.63	0.71

Sources: IBGE, Santander.

Figure 7 – “Heatmap” Showing Services Contribution by Subsector

		By Subsector (contribution, sa p,p)											
		Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23
Families	8%	0.16	0.19	0.19	0.02	0.04	0.07	0.07	-0.09	-0.05	0.21	0.08	-0.06
Accommodation and Food	7%	0.16	0.36	-0.03	-0.08	0.14	0.11	0.00	-0.11	-0.04	0.22	0.08	0.01
Other Services to Families	1%	0.06	-0.04	0.00	0.04	0.03	-0.05	0.05	-0.01	0.01	0.01	-0.01	-0.05
Information	23%	0.42	0.22	0.20	-0.03	0.30	0.22	0.43	0.34	-0.15	-0.52	0.18	0.38
Technology	21%	0.65	0.09	0.33	-0.14	0.15	0.46	0.31	0.29	-0.18	-0.66	0.55	0.12
Audiovisual	3%	0.13	-0.09	0.04	0.00	0.02	-0.06	0.03	-0.09	0.23	-0.04	-0.08	0.05
Professional	22%	0.29	-0.08	0.24	0.14	-0.26	0.12	0.14	-0.12	0.10	0.79	-0.45	-0.22
Professional	8%	0.47	-0.21	0.11	0.26	-0.21	0.13	0.28	-0.31	0.01	0.23	0.03	-0.06
Administrative	13%	-0.24	0.14	0.13	-0.01	-0.01	-0.04	-0.03	0.06	0.09	0.43	-0.13	-0.08
Transportation	36%	1.64	-0.92	0.27	0.27	0.90	0.31	-0.05	-0.54	0.14	0.89	-1.59	0.84
Ground Transportation	21%	0.44	0.17	0.46	0.51	0.22	0.21	-0.15	-0.20	-0.07	0.61	-0.35	0.26
Water Transportation	2%	-0.11	0.08	0.08	0.03	0.07	0.02	-0.06	-0.01	0.08	-0.03	0.04	-0.02
Air Transport	3%	1.07	-0.23	-0.42	-0.29	0.22	0.01	0.08	-0.32	0.10	0.24	-0.19	0.14
Storage and Mail	11%	0.36	-0.63	0.03	-0.24	0.56	0.10	0.15	-0.08	0.03	0.08	-1.00	0.44
Other Services	10%	0.10	-0.29	0.32	0.07	-0.49	0.63	-0.22	0.28	-0.25	0.98	-0.88	0.07

Sources: IBGE, Santander.



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