

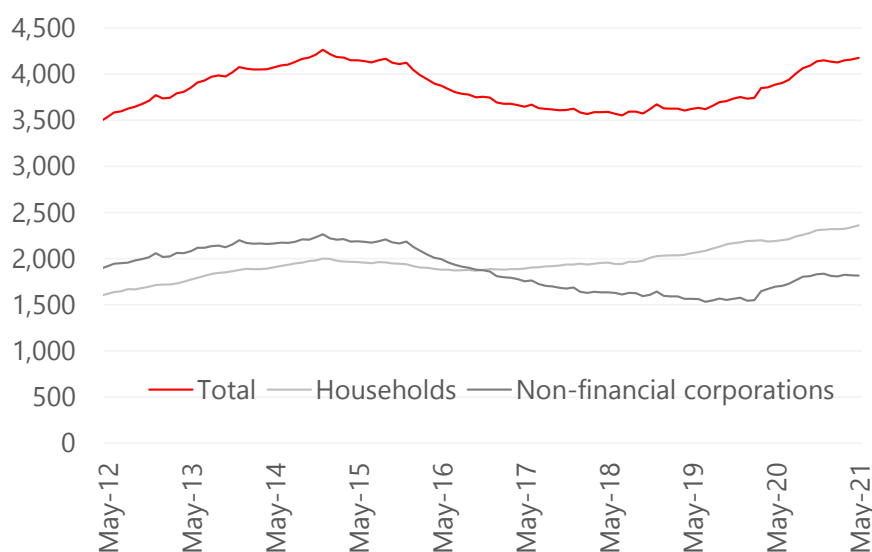
## Credit Still Supportive in May

**Felipe Kotinda\***  
felipe.kotinda@santander.com.br  
+5511 3553 8071

- The Brazil Central Bank (BCB) today released data for May showing a still supportive level of non-earmarked credit to households and companies, in tandem with the reopening process that continued in May in several key regions of Brazil.
- In the corporate segment, we believe a new round of BRL5 billion in spending for *Pronampe* (now a permanent program) will support firms in the coming months.
- Importantly, however, debt-to-income continues to rise, which we see as a risk for delinquencies as the economy recovers.

Total outstanding loans in the National Financial System (SFN) posted inflation-adjusted growth of 7.5% YoY in May (to BRL4.2 trillion), up 7.8% YoY for households and 7.1% YoY for non-financial corporations.

**Figure 1. Total Outstanding Balance of Credit Operations (inflation adjusted, BRL billion)**



Sources: Brazilian Central Bank, Santander.

In the non-earmarked segment, household portfolios grew 9.1% YoY during May (inflation adjusted). For corporations, growth in the balance of non-earmarked loans remained strong (+5.1% YoY), with an emphasis on working capital (+15.7% YoY, inflation adjusted). In the earmarked segment, growth for households reflected real estate financing (+12.6% YoY, inflation adjusted).

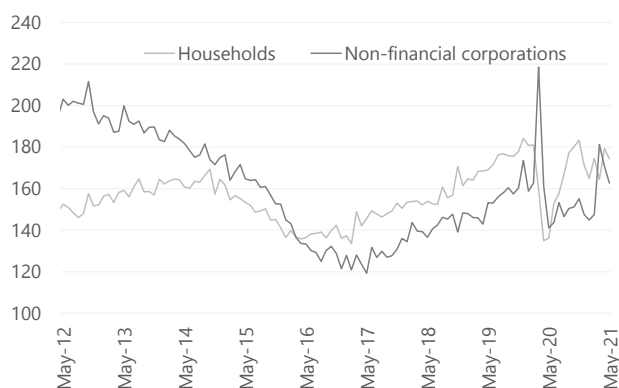
**IMPORTANT DISCLOSURES/CERTIFICATIONS ARE ATTACHED.**

U.S. investors' inquiries should be directed to Santander Investment Securities Inc. at (212) 583-4629 / (212) 350-3918.

\* Employed by a non-US affiliate of Santander Investment Securities, Inc. and is not registered/qualified as a research analyst under FINRA rules.

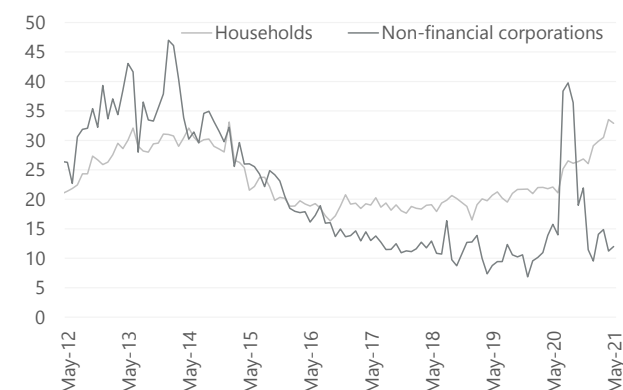


**Figure 2. New Operations – Non-Earmarked (inflation and seasonally adjusted, BRL billions)**



Sources: Brazilian Central Bank, Santander.

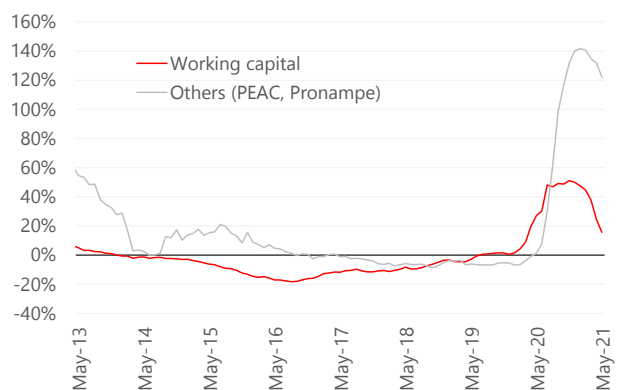
**Figure 3. New Operations – Earmarked (inflation and seasonally adjusted, BRL billions)**



Sources: Brazilian Central Bank, Santander.

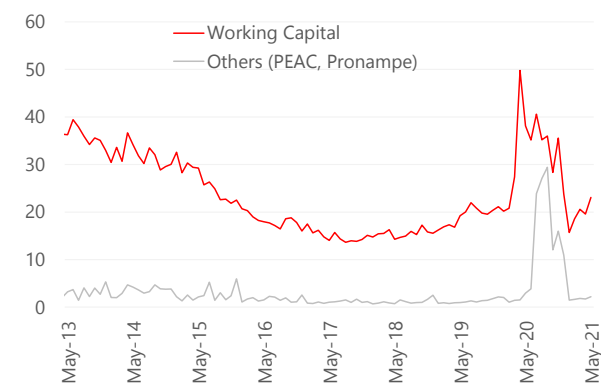
New loans adjusted for inflation and seasonality (Central Bank of Brazil methodology) decreased 2.8% in May, from a significant rise in April (+4.5% MoM-sa). For households, the **non-earmarked segment posted a decline of 2.7% MoM-sa, an adjustment after a strong figure in April**. In the earmarked segment, real estate financing remains high (+100% YoY), reflecting favorable financial conditions. For companies, there was a decline of 4.7% MoM-sa in May in the non-earmarked segment. In March, companies relied heavily on short-term credit for support to see them through activity restrictions imposed by local governments, so an adjustment for firms was also expected. In the earmarked segment, there was an increase of 6.8% MoM-sa, and we expect a new round of BRL5 billion in *Pronampe* (now a permanent program) credit support in 2021.

**Figure 4. Outstanding Balance – Non-Financial Corporations (inflation adjusted, % YoY)**



Sources: Brazilian Central Bank, Santander.

**Figure 5. New Operations – Earmarked (inflation and seasonally adjusted, BRL billion)**

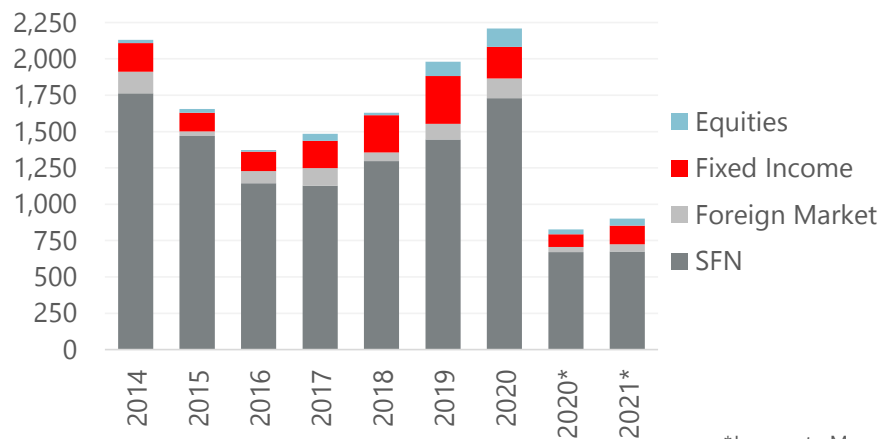


Sources: Brazilian Central Bank, Santander.

Considering total corporate financing YTD through May 2021 (new loans in the SFN, debt and equity issues in the capital markets) vs. the year-ago period, issuances in the capital markets are 48% higher, while SFN concessions are now up 1%. As a result, total corporate financing is up 9% compared to the year-ago period.



**Figure 6. Total Corporate Financing (inflation adjusted, BRL billions)**



\*January to May.

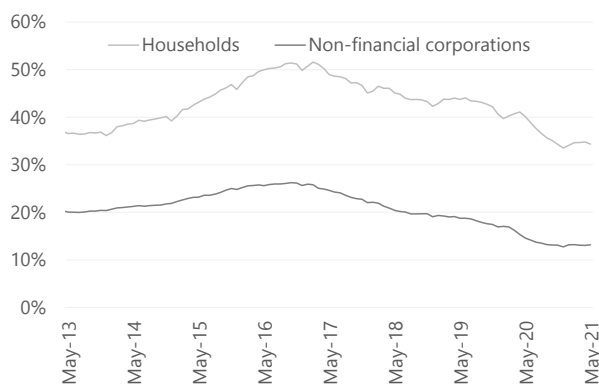
SFN - exclude *conta garantida*, *cheque especial* (overdraft) and credit card.  
 Foreign Market - bonus, MTNs and securities.  
 Fixed Income - Debentures, commercial papers, LFs, CRAs, CRIs e FIDCs.  
 Equity - IPO and follow-on.

Sources: Brazilian Central Bank, Anbima, Santander.

Lastly, the Credit Cost Indicator (ICC) of non-earmarked loans to households decreased 0.4 p.p. in May compared to April, to 34.4% p.a., and increased 0.1 p.p. to 13.2% p.a. for corporations. The average interest rate for non-earmarked new loans was 39.9% p.a. for households (compared to 41.0% p.a. in April) and was 14.6% for corporations (compared to 14.7% p.a. in April). The spread on non-earmarked new loans was 32.7% for households (-1.3 p.p. from April) and 8.5% for corporations (-0.1 p.p. from April).

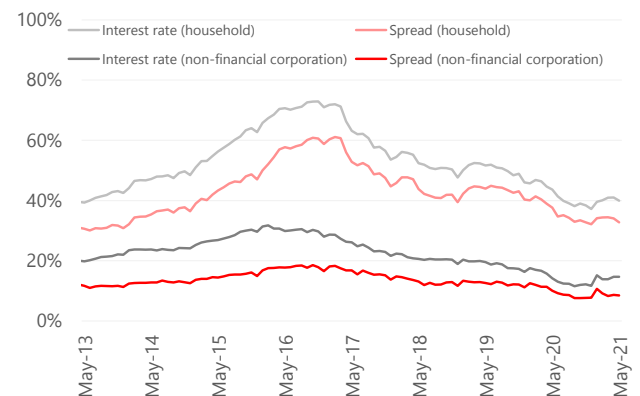
Still regarding non-earmarked loans, the seasonally adjusted default rate (% of 90-day past-due loans) came in at 4.2% and 1.7%, respectively, for households and corporations. **Importantly, debt-to-income continues to rise, which we see as a risk for delinquencies as the economy recovers.**

**Figure 7. Credit Cost Indicator (ICC) – Non-Earmarked (% p.a.)**



Sources: Brazilian Central Bank, Santander.

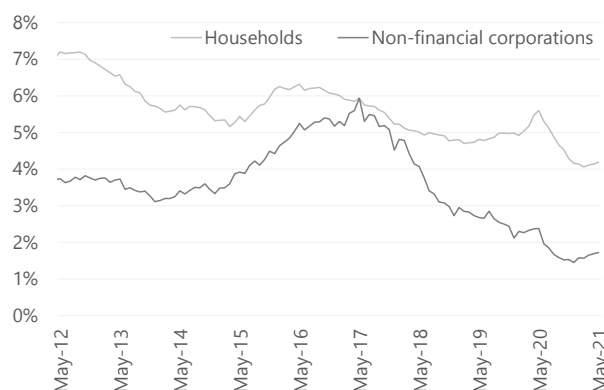
**Figure 8. Average Interest Rate and Spread – Non-Earmarked (% p.a.)**



Sources: Brazilian Central Bank, Santander.

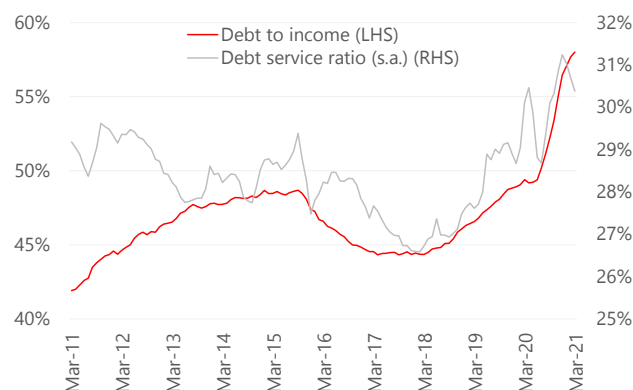


**Figure 9. Loans Due in 90 Days – Non-Earmarked (% , s.a.)**



Sources: Brazilian Central Bank, Santander.

**Figure 10 – Household Debt-to-Income and Debt Service Ratio (%)**



Sources: Brazilian Central Bank, Santander.

**Figure 11. Indicators**

Outstanding inf. adj. (YoY)	Nonearmarked			Earmarked			Total		
	Mar-21	Apr-21	May-21	Mar-21	Apr-21	May-21	Mar-21	Apr-21	May-21
Households	4.8%	7.5%	9.1%	6.8%	6.7%	6.3%	5.7%	7.1%	7.8%
Non-financial corporations	8.1%	6.2%	5.1%	15.7%	13.2%	10.6%	10.8%	8.7%	7.1%
<b>Total</b>	<b>6.3%</b>	<b>6.9%</b>	<b>7.2%</b>	<b>10.2%</b>	<b>9.1%</b>	<b>7.9%</b>	<b>7.9%</b>	<b>7.8%</b>	<b>7.5%</b>

New operations inf. adj. (MoM-sa)	Nonearmarked			Earmarked			Total		
	Mar-21	Apr-21	May-21	Mar-21	Apr-21	May-21	Mar-21	Apr-21	May-21
Households	-5.7%	8.9%	-2.7%	2.2%	10.0%	-1.9%	-5.1%	9.9%	-2.5%
Non-financial corporations	22.9%	-5.8%	-4.7%	5.8%	-24.6%	6.8%	9.2%	-0.6%	1.1%
<b>Total</b>	<b>0.6%</b>	<b>3.3%</b>	<b>0.1%</b>	<b>1.9%</b>	<b>4.6%</b>	<b>-5.5%</b>	<b>0.6%</b>	<b>4.5%</b>	<b>-2.8%</b>

Interest rate	Nonearmarked			Earmarked			Total		
	Mar-21	Apr-21	May-21	Mar-21	Apr-21	May-21	Mar-21	Apr-21	May-21
Households	40.9%	41.0%	39.9%	6.8%	6.7%	6.7%	25.0%	25.1%	24.6%
Non-financial corporations	13.9%	14.7%	14.6%	8.1%	8.4%	7.6%	12.1%	12.8%	12.6%
<b>Total</b>	<b>28.5%</b>	<b>29.0%</b>	<b>28.5%</b>	<b>7.2%</b>	<b>7.2%</b>	<b>7.0%</b>	<b>20.0%</b>	<b>20.3%</b>	<b>19.9%</b>

Spreads	Nonearmarked			Earmarked			Total		
	Mar-21	Apr-21	May-21	Mar-21	Apr-21	May-21	Mar-21	Apr-21	May-21
Households	34.4%	34.0%	32.7%	4.5%	4.3%	4.1%	20.5%	20.2%	19.5%
Non-financial corporations	8.3%	8.6%	8.5%	3.0%	2.6%	2.8%	6.7%	6.9%	6.8%
<b>Total</b>	<b>22.4%</b>	<b>22.4%</b>	<b>21.7%</b>	<b>4.1%</b>	<b>3.8%</b>	<b>3.7%</b>	<b>15.1%</b>	<b>15.0%</b>	<b>14.5%</b>

	Mar-21	Apr-21	May-21
<b>Total Outstanding / GDP</b>	<b>54.3%</b>	<b>53.7%</b>	<b>52.7%</b>
<b>Total Outstanding under public control</b>	<b>44.6%</b>	<b>44.4%</b>	<b>44.1%</b>

Sources: Brazilian Central Bank, Santander.



## CONTACTS / IMPORTANT DISCLOSURES

### Brazil Macro Research

Ana Paula Vescovi*	Chief Economist	anavescovi@santander.com.br	5511-3553-8567
Mauricio Oreng*	Head of Macro Research	mauricio.oreng@santander.com.br	5511-3553-5404
Jankiel Santos*	Economist – External Sector	jankiel.santos@santander.com.br	5511-3012-5726
Ítalo Franca*	Economist – Fiscal Policy	italo.franca@santander.com.br	5511-3553-5235
Daniel Karp Vasquez*	Economist – Inflation	daniel.karp@santander.com.br	5511-3553-9828
Tomas Urani*	Economist – Global Economics	tomas.urani@santander.com.br	5511-3553-9520
Lucas Maynard*	Economist – Economic Activity	lucas.maynard.da.silva@santander.com.br	5511-3553-7495
Felipe Kotinda*	Economist – Credit	felipe.kotinda@santander.com.br	5511-3553-8071
Gabriel Couto*	Economist – Special Projects	gabriel.couto@santander.com.br	5511-3553-8487
Gilmar Lima*	Economist – Modeling	gilmar.lima@santander.com.br	5511-3553-6327

### Global Macro Research

Maciej Reluga*	Head Macro, Rates & FX Strategy – CEE	maciej.reluga@santander.pl	48-22-534-1888
Juan Cerruti *	Senior Economist – Argentina	jcerruti@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@santanderrio.com.ar	5411-4341-1065
Mauricio Oreng*	Senior Economist/Strategist – Brazil	mauricio.oreng@santander.com.br	5511-3553-5404
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
Claudia Benavente*	Head, Chile	claudia.benavente@santander.cl	562-2336-3361
Walter Chiarvesio*	Head, Argentina	wchiarvesio@santanderrio.com.ar	5411-4341-1564
Mariana Cahen Margulies*	Head, Brazil	mmargulies@santander.com.br	5511-3553-1684

### Electronic

Bloomberg  
Reuters

SIEQ <GO>  
Pages SISEMA through SISEMZ

This report has been prepared by Santander Investment Securities Inc. ("SIS"; SIS is a subsidiary of Santander Holdings USA, Inc. which is wholly owned by Banco Santander, S.A. "Santander"), on behalf of itself and its affiliates (collectively, Grupo Santander) and is provided for information purposes only. This document must not be considered as an offer to sell or a solicitation of an offer to buy any relevant securities (i.e., securities mentioned herein or of the same issuer and/or options, warrants, or rights with respect to or interests in any such securities). Any decision by the recipient to buy or to sell should be based on publicly available information on the related security and, where appropriate, should take into account the content of the related prospectus filed with and available from the entity governing the related market and the company issuing the security. This report is issued in Spain by Santander Investment Bolsa, Sociedad de Valores, S.A. ("Santander Investment Bolsa"), and in the United Kingdom by Banco Santander, S.A., London Branch. Santander London is authorized by the Bank of Spain. This report is not being issued to private customers. SIS, Santander London and Santander Investment Bolsa are members of Grupo Santander.

**ANALYST CERTIFICATION:** The following analysts hereby certify that their views about the companies and their securities discussed in this report are accurately expressed, that their recommendations reflect solely and exclusively their personal opinions, and that such opinions were prepared in an independent and autonomous manner, including as regards the institution to which they are linked, and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report, since their compensation and the compensation system applying to Grupo Santander and any of its affiliates is not pegged to the pricing of any of the securities issued by the companies evaluated in the report, or to the income arising from the businesses and financial transactions carried out by Grupo Santander and any of its affiliates: Felipe Kotinda\*.

\*Employed by a non-US affiliate of Santander Investment Securities Inc. and not registered/qualified as a research analyst under FINRA rules, and is not an associated person of the member firm, and, therefore, may not be subject to the FINRA Rule 2242 and Incorporated NYSE Rule 472 restrictions on communications with a subject company, public appearances, and trading securities held by a research analyst account.

The information contained herein has been compiled from sources believed to be reliable, but, although all reasonable care has been taken to ensure that the information contained herein is not untrue or misleading, we make no representation that it is accurate or complete and it should not be relied upon as such. All opinions and estimates included herein constitute our judgment as at the date of this report and are subject to change without notice.

Any U.S. recipient of this report (other than a registered broker-dealer or a bank acting in a broker-dealer capacity) that would like to effect any transaction in any security discussed herein should contact and place orders in the United States with SIS, which, without in any way limiting the foregoing, accepts responsibility (solely for purposes of and within the meaning of Rule 15a-6 under the U.S. Securities Exchange Act of 1934) for this report and its dissemination in the United States.

© 2021 by Santander Investment Securities Inc. All Rights Reserved.