

**DATA ANALYSIS – CREDIT**

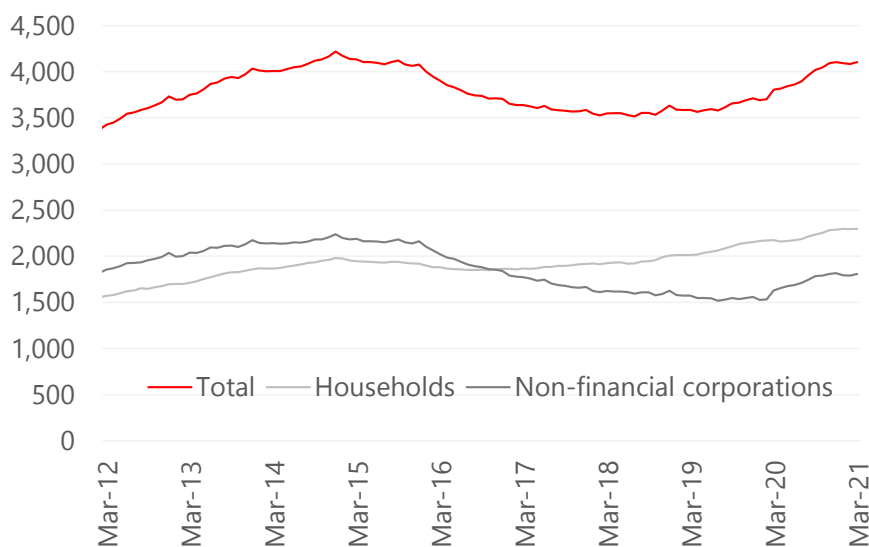
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- The Brazil Central Bank (BCB) today released data for March that shows non-earmarked credit to households remained stable, continuing the trend since February. The decrease for households likely reflects social distancing measures owing to a worsening of the pandemic.
- In the corporate segment, companies increasingly relied on short-term credit during March, also a consequence of the pandemic. We expect a new round of BRL5 billion in *Pronampe* credit support in the coming weeks.
- Importantly, both the debt-to-income and debt service ratios for households have been rising fast, which we see as a risk for delinquencies and credit supply as the economy recovers.

Total outstanding loans in the National Financial System (SFN) posted inflation-adjusted growth of 7.9% YoY in March (BRL4.1 trillion), up 5.6% YoY for households and 11.0% 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 4.7% YoY during March (inflation adjusted). For corporations, growth in the balance of non-earmarked loans remained high (+8.2% YoY), with an emphasis on working capital (+36.3% YoY, inflation adjusted). In the earmarked segment, growth for households reflect real estate financing (+12.9% YoY, inflation adjusted), while companies also experienced an increase (+15.9% YoY) due to the emergency credit-support programs (e.g., *Pronampe*, *PEAC*).

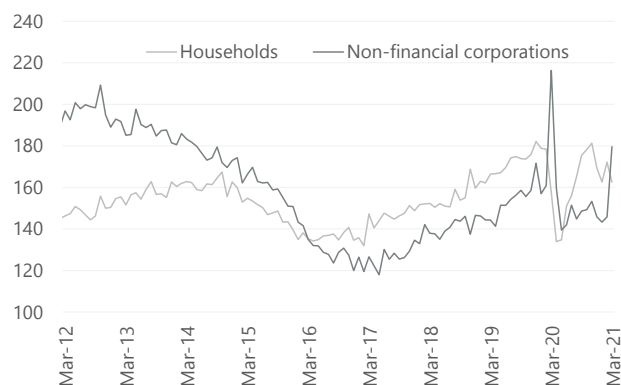
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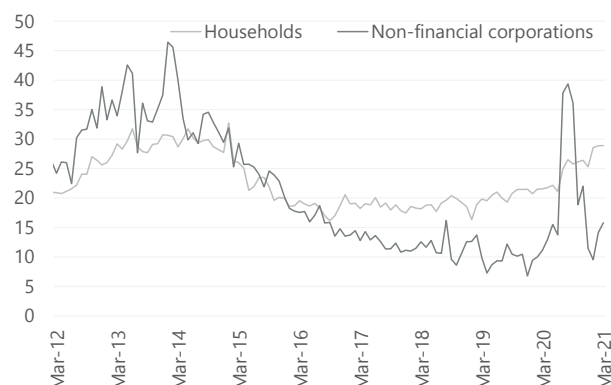


**Figure 2. New Operations – Non-Earmarked (inflation and seasonally adjusted, BRL billions)**



Sources: Brazilian Central Bank, Santander.

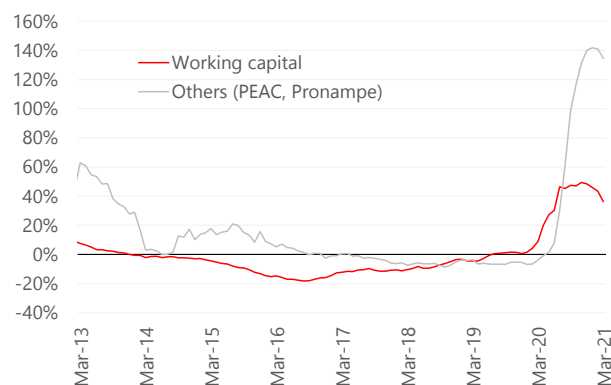
**Figure 3. New Operations – Earmarked (inflation and seasonally adjusted, BRL billions)**



Sources: Brazilian Central Bank, Santander.

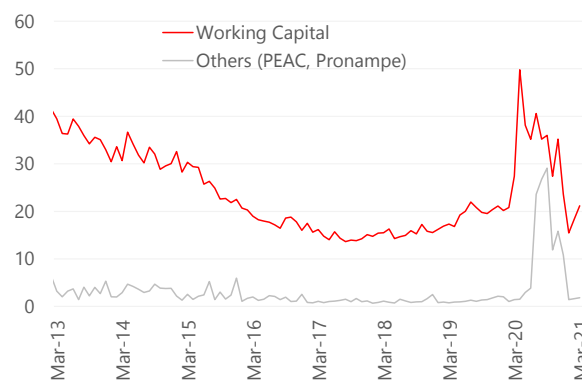
New loans adjusted for inflation and seasonality (Central Bank of Brazil methodology) rose 0.2% in March, a slowdown from February (+5.1% MoM-sa). For households, the non-earmarked segment saw a decrease of 5.5% MoM-sa, **likely a direct effect from new lockdown measures in response to a worsening of the pandemic**. In the earmarked segment, real estate financing remains high (+67.4% YoY), reflecting favorable financial conditions. For companies, there was a significant increase of 23.1% MoM-sa in March in the non-earmarked segment as they relied on working capital and discount trade bills for support to see them through activity restrictions imposed by local governments; in the earmarked segment, there was an increase of 12.1% MoM-sa. Importantly, we expect **a new round of BRL5 billion in Pronampe credit support in the coming weeks**.

**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)**

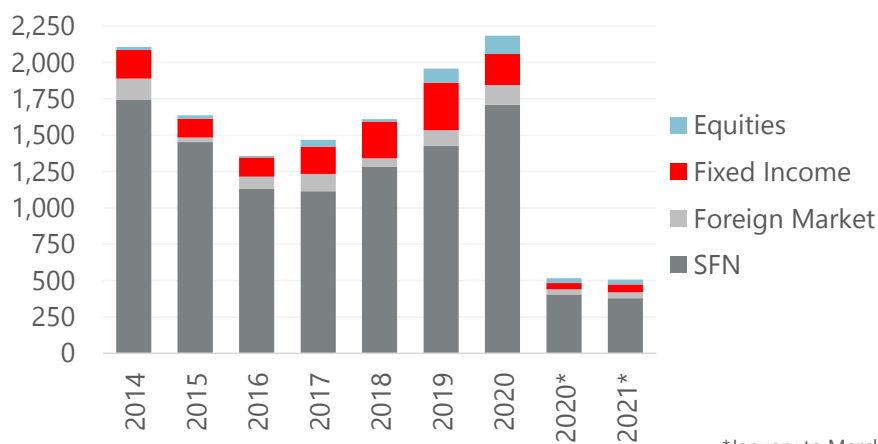


Sources: Brazilian Central Bank, Santander.

Considering total corporate financing YTD through March 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 14% higher, while SFN concessions are down 6%. As a result, total corporate financing is down 2% compared to the year-ago period.



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



\*January to March.

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.

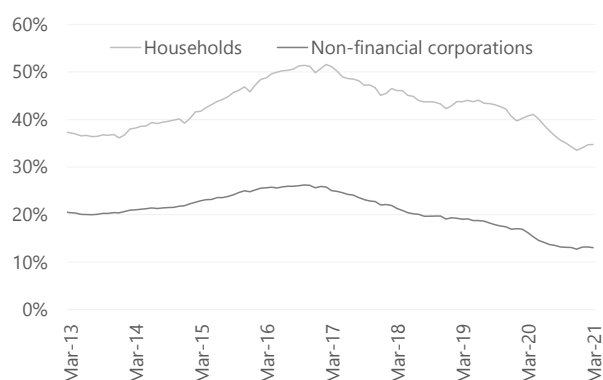
Equity - IPO and follow-on.

Sources: Brazilian Central Bank, Anbima, Santander.

Lastly, the Credit Cost Indicator (ICC) of non-earmarked loans to households increased 0.1 p.p. in March compared to February, reaching 34.8% p.a., and decreased 0.1 p.p. to 13.1% p.a. for corporations. The average interest rate for non-earmarked new loans was 41.0% p.a. for households (compared to 40.1% p.a. in February) and was stable for corporations at 13.8% p.a. The spread on non-earmarked new loans was 34.5% for households (+0.1 p.p. from February) and 8.2% (-1.0 p.p. from February) for corporations.

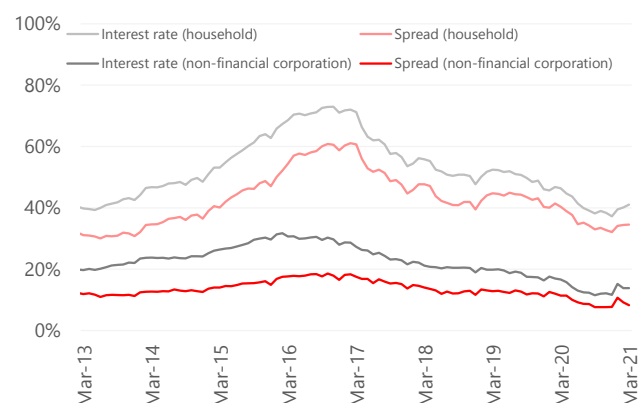
Still, for non-earmarked loans, the seasonally adjusted default rate (% of 90-day past-due loans) came in at 4.2% and 1.7%, respectively, for households and corporations, an increase from February. **Importantly, both the debt-to-income and debt service ratios for households have been rising fast, a risk for delinquencies and credit supply as the economy recovers.**

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



Sources: Brazilian Central Bank, Santander.

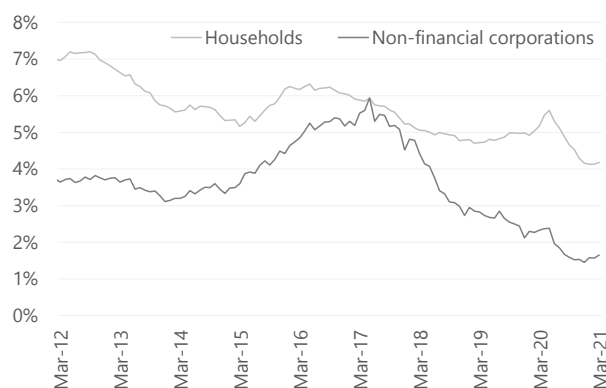
**Figure 8. Average Interest Rate and Spread – Non-Earmarked (% p.a.)**



Sources: Brazilian Central Bank, Santander.

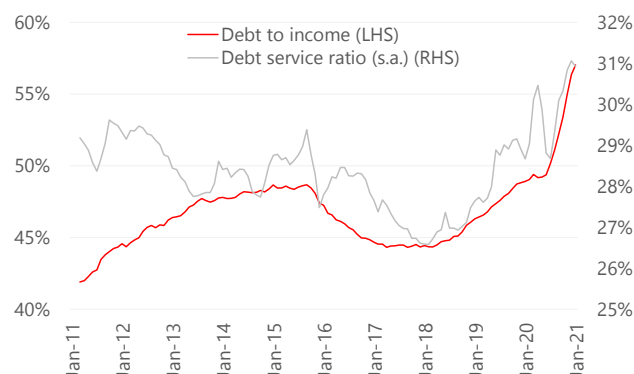


**Figure 9. Loans Due in 90 Days – Non-Earmarked (% , s.a.)**



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		
	Jan-21	Feb-21	Mar-21	Jan-21	Feb-21	Mar-21	Jan-21	Feb-21	Mar-21
Households	5.2%	4.8%	4.7%	7.2%	7.0%	6.7%	6.1%	5.8%	5.6%
Non-financial corporations	17.8%	16.5%	8.2%	17.6%	17.4%	15.9%	17.7%	16.8%	11.0%
<b>Total</b>	<b>10.7%</b>	<b>10.0%</b>	<b>6.3%</b>	<b>11.1%</b>	<b>10.9%</b>	<b>10.2%</b>	<b>10.9%</b>	<b>10.4%</b>	<b>7.9%</b>

New operations inf. adj. (MoM-sa)	Nonearmarked			Earmarked			Total		
	Jan-21	Feb-21	Mar-21	Jan-21	Feb-21	Mar-21	Jan-21	Feb-21	Mar-21
Households	-3.4%	6.1%	-5.5%	12.9%	1.4%	0.0%	-1.5%	5.2%	-4.6%
Non-financial corporations	-1.6%	1.9%	23.1%	-19.3%	52.5%	12.1%	3.2%	4.0%	11.4%
<b>Total</b>	<b>1.6%</b>	<b>4.3%</b>	<b>0.7%</b>	<b>1.8%</b>	<b>6.0%</b>	<b>3.7%</b>	<b>1.6%</b>	<b>5.3%</b>	<b>0.2%</b>

Interest rate	Nonearmarked			Earmarked			Total		
	Jan-21	Feb-21	Mar-21	Jan-21	Feb-21	Mar-21	Jan-21	Feb-21	Mar-21
Households	39.5%	40.1%	41.0%	7.0%	6.9%	6.8%	24.4%	24.6%	25.1%
Non-financial corporations	15.2%	13.8%	13.8%	9.5%	8.4%	8.1%	13.4%	12.2%	12.1%
<b>Total</b>	<b>28.5%</b>	<b>28.1%</b>	<b>28.6%</b>	<b>7.7%</b>	<b>7.3%</b>	<b>7.2%</b>	<b>20.1%</b>	<b>19.8%</b>	<b>20.0%</b>

Spreads	Nonearmarked			Earmarked			Total		
	Jan-21	Feb-21	Mar-21	Jan-21	Feb-21	Mar-21	Jan-21	Feb-21	Mar-21
Households	34.1%	34.4%	34.5%	4.9%	4.8%	4.5%	20.5%	20.6%	20.6%
Non-financial corporations	10.7%	9.2%	8.2%	3.3%	3.9%	3.0%	8.4%	7.6%	6.7%
<b>Total</b>	<b>23.5%</b>	<b>22.9%</b>	<b>22.5%</b>	<b>4.4%</b>	<b>4.5%</b>	<b>4.1%</b>	<b>15.8%</b>	<b>15.5%</b>	<b>15.1%</b>

	Jan-21	Feb-21	Mar-21
<b>Total Outstanding / GDP</b>	<b>53.9%</b>	<b>54.0%</b>	<b>54.4%</b>
<b>Total Outstanding under public control</b>	<b>45.0%</b>	<b>44.9%</b>	<b>44.6%</b>

Sources: Brazilian Central Bank, Santander.



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