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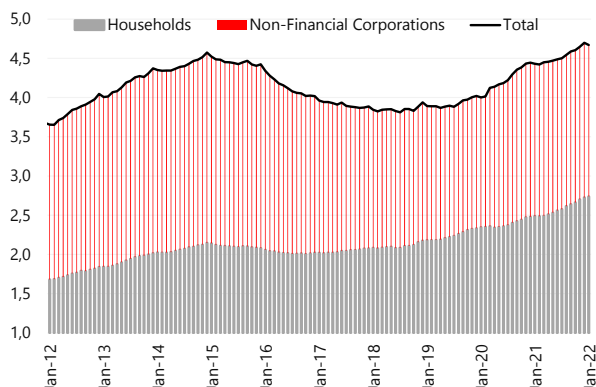
## Households Leading Growth

- The Brazil Central Bank (BCB) today released data for January showing that overall growth in credit to households and companies ending the year up 5.4% YoY.
- For households, the non-earmarked new loans segment posted an increase of 1.2% MoM-sa. The highlights were total personal credit (-7.1% MoM), which keeps falling, and credit cards (-8.5% MoM), which posted the first decline after six months in a row with positive figures.
- For companies, there was a decrease of 1.0% MoM-sa in January in the non-earmarked new loans segment. The earmarked segment registered a significant increase of 30% MoM-sa after December's decline (-7% MoM-sa).
- Finally, debt-service and debt-to-income ratios continued to rise, reaching the highest point in the series since March 2011, which we see as a risk for delinquencies as the economy recovers.

Total outstanding loans in the National Financial System (SFN) in January posted inflation-adjusted growth of 5.4% YoY to BRL4.7 trillion. For households, loans were up 10% YoY; for non-financial corporations, they were down 0.5% YoY.

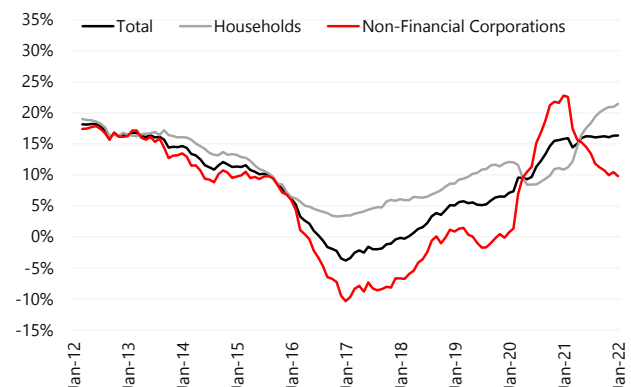
The growth rate of total outstanding loans increased to 16.35%. In addition, growth in credit to corporations rose to 9.8% from 10.5%, while the volume of credit to households continued to accelerate, with growth rising to 21.5% from 21.0%, making this the highest figure in the historical series (since March 2011).

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



Sources: Brazilian Central Bank, Santander.

**Figure 2. Total Outstanding Balance of Credit Operations – Growth Rate (%)**



Sources: Brazilian Central Bank, Santander.

In the non-earmarked segment, household credit portfolios started the year at +12.1% YoY, inflation adjusted, with **personal credit posting growth of 11.6% YoY, inflation adjusted, and credit cards reaching the peak of the series at +27.9% YoY, inflation adjusted.** For corporations, growth in the balance of non-earmarked

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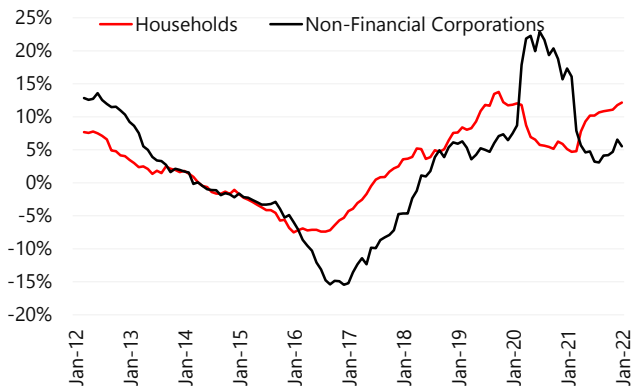
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loans was 5.5% YoY, with **total working capital presenting a negative variation for the seventh time in a row: -6.7% YoY, inflation adjusted.**

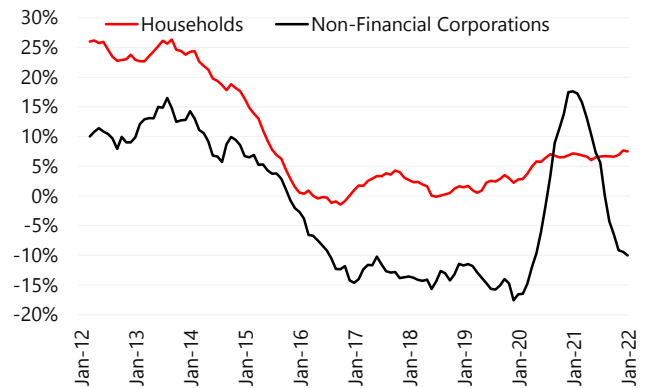
In the earmarked segment, households posted growth of 7.5% YoY, while **real estate financing showed growth of 3.7% YoY, inflation adjusted,** lower than the year-ago figure (7.2% YoY, inflation adjusted). Corporations posted the fifth decrease in a row, 10% YoY, inflation adjusted, with **total rural credit presenting strong growth of 118% YoY, inflation adjusted.**

**Figure 3. Outstanding Balance – Non-Earmarked (inflation adjusted) (% YoY)**



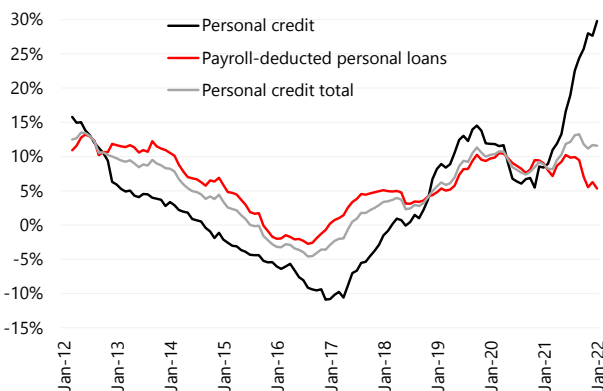
Sources: Brazilian Central Bank, Santander.

**Figure 4. Outstanding Balance – Earmarked (inflation adjusted) (% YoY)**



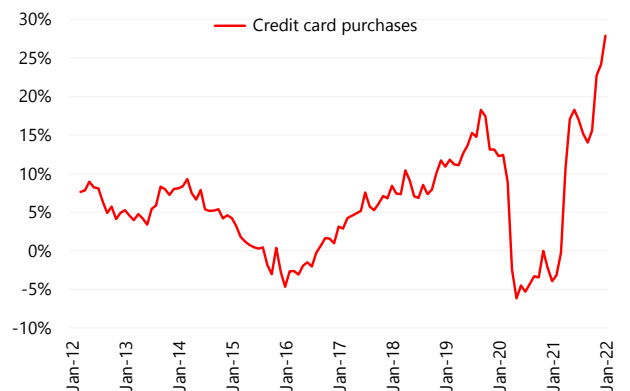
Sources: Brazilian Central Bank, Santander.

**Figure 5. Outstanding Balance – Personal Credit – Non-Earmarked (inflation adjusted) (% YoY)**



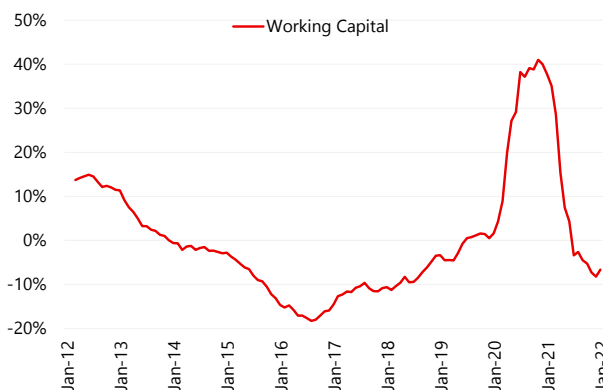
Sources: Brazilian Central Bank, Santander.

**Figure 6. Outstanding Balance – Credit Card Purchases – Non-Earmarked (inflation adjusted) (% YoY)**



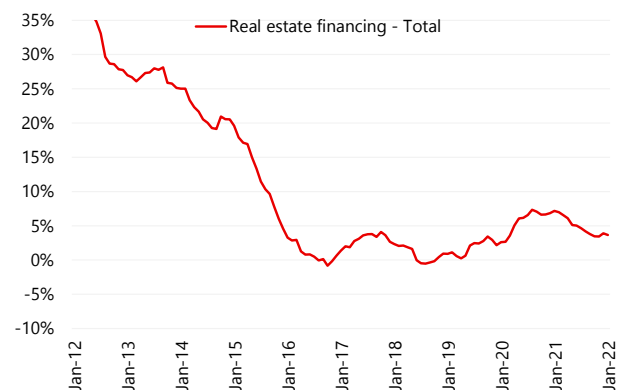
Sources: Brazilian Central Bank, Santander.

**Figure 7. Outstanding Balance – Working Capital – Non-Earmarked (inflation adj.) (% YoY)**



Sources: Brazilian Central Bank, Santander.

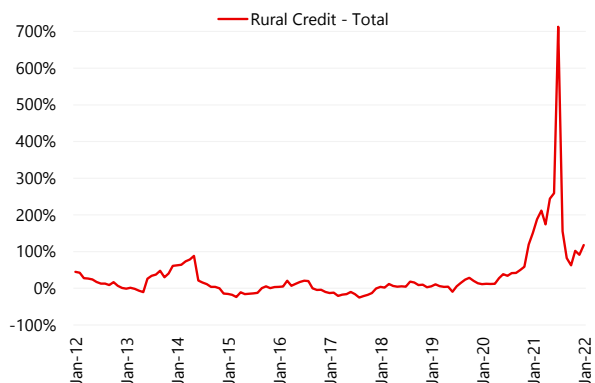
**Figure 8. Outstanding Balance – Real Estate Financing for Households – Earmarked (inflation adj.) (% YoY)**



Sources: Brazilian Central Bank, Santander.



**Figure 9. Outstanding Balance – Total Rural Credit – Earmarked (inflation adj.) (% YoY)**

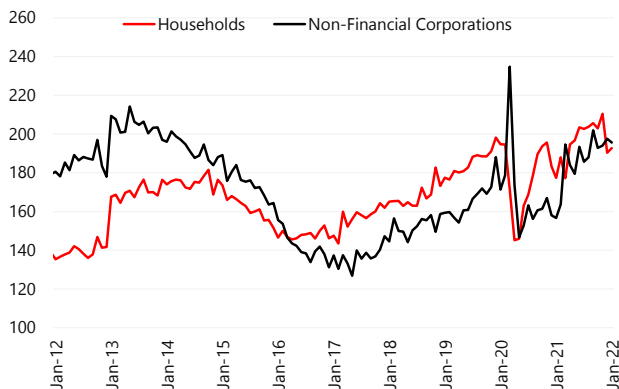


Sources: Brazilian Central Bank, Santander.

New loans adjusted for inflation and seasonality (BCB methodology) recorded a significant increase, +12% in January from December's figure (-11.5% MoM in December 2021). For households, the **non-earmarked segment posted an increase of 1.2% MoM-sa**. The highlights were total personal credit (-7.1% MoM), which keeps falling, and credit cards (-8.5% MoM), which posted the first decline after six months in a row with positive figures. In the earmarked segment, households posted a substantial increase (15.4% MoM). Real estate financing and rural credit fell (-20% MoM-nsa and -30.3% MoM-nsa, respectively), but others showed a positive variation (15.4% MoM-nsa).

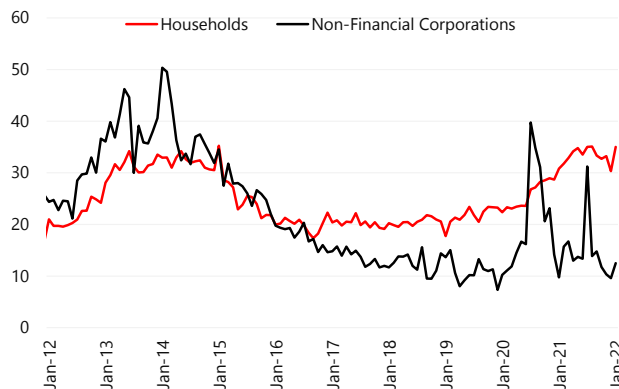
For companies, there was a decrease of 1.0% MoM-sa in January in the non-earmarked segment. **The earmarked segment registered a significant increase of 30% MoM-sa, after December's decline (-7% MoM-sa).**

**Figure 10. New Operations – Non-Earmarked (inflation and seasonally adjusted, BRL billions)**



Sources: Brazilian Central Bank, Santander.

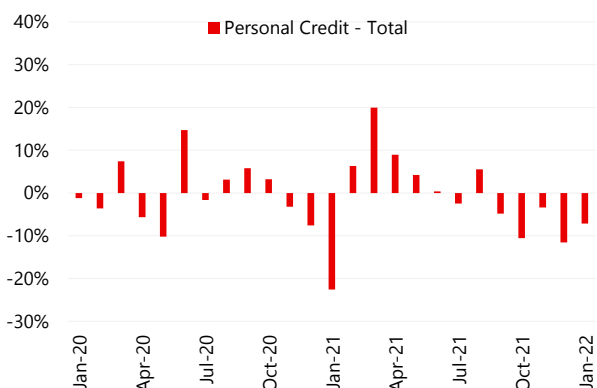
**Figure 11. New Operations – Earmarked (inflation and seasonally adjusted, BRL thousands)**



Sources: Brazilian Central Bank, Santander.

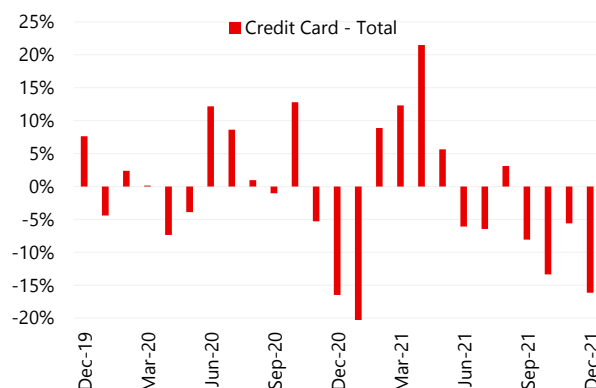


**Figure 12. New Operations – Non-Earmarked – Personal Credit Total (% MoM-nsa)**



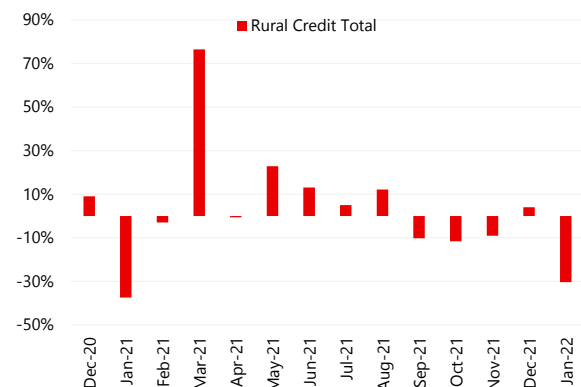
Sources: Brazilian Central Bank, Santander.

**Figure 13. New Operations – Non-Earmarked – Other Goods Purchased (% MoM-nsa)**



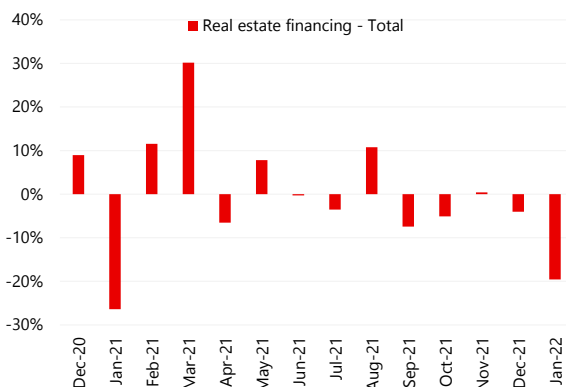
Sources: Brazilian Central Bank, Santander.

**Figure 14. New Operations – Non-Earmarked – Rural Credit Total (% MoM-nsa)**



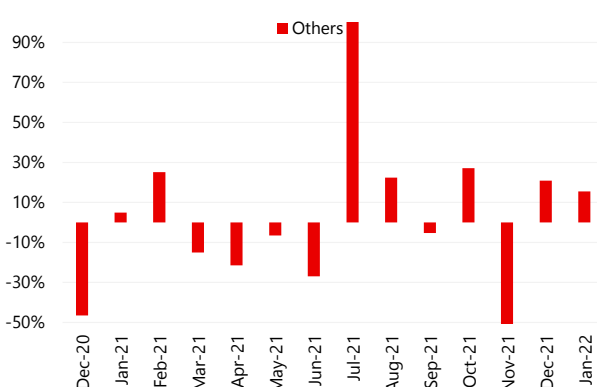
Sources: Brazilian Central Bank, Santander.

**Figure 15. New Operations – Earmarked – Real Estate Financing Total to Households (% MoM-nsa)**



Sources: Brazilian Central Bank, Santander.

**Figure 16. New Operations – Non-Earmarked Others (% MoM-nsa)**

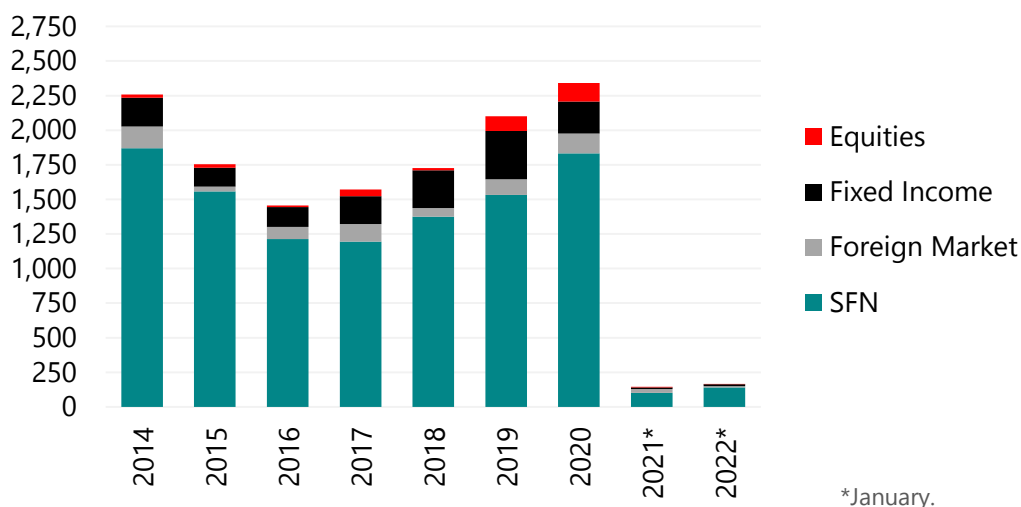


Sources: Brazilian Central Bank, Santander.

Considering total corporate financing YTD through January 2022 (new loans in the SFN, debt and equity issues in the capital markets) vs. the year-ago period, issuances in the capital markets were 12% lower, while SFN concessions were up 38%. **As a result, total corporate financing was up 12% compared to the year-ago period.**



**Figure 17. Total Corporate Financing (inflation adjusted, BRL billions)**



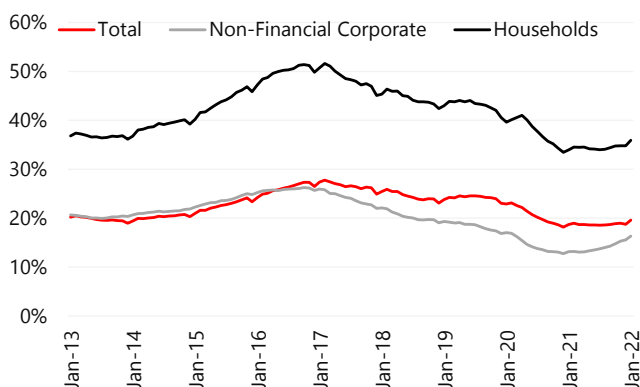
SFN - exclude *conta garantida, cheque especial* (overdraft) and credit card.  
 Foreign Market - bonus, MTNs and securities.  
 Fixed Income - Debentures, commercial papers, LFs, CRAs, CRIs e FIDCs.  
 Equity - IPO and follow-on.

Sources: Brazilian Central Bank, Anbima, Santander.

Lastly, the Credit Cost Indicator (ICC) of non-earmarked loans to households was 35.9% p.a. in January, while for corporations it was 16.3% p.a. The average interest rate for non-earmarked new loans was 46.3% p.a. for households (up 1.3 p.p. from December 2021) and 21.3% p.a. for corporations (up 1.6 p.p. from December 2021). The spread on non-earmarked new loans was 35.4% for households (+0.7 p.p. from December 2021) and 10.8% for corporations (+0.9 p.p. from December 2021).

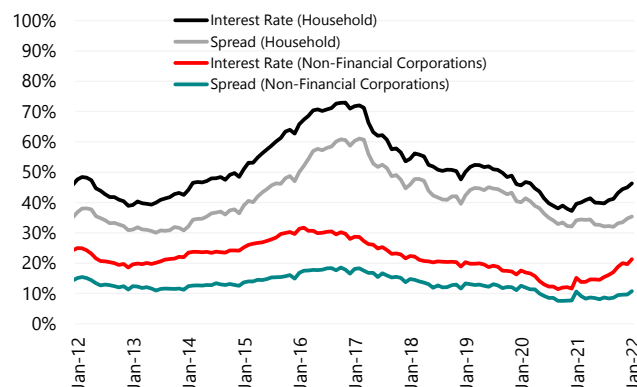
Still regarding non-earmarked loans, the seasonally adjusted default rate (% of 90-day past-due loans) was at 4.8% and 1.4%, respectively, for households and corporations. **Importantly, with the new methodology, the household debt-service ratio reached the highest point in the series, 51.9%, in November; excluding real estate financing, household debt-service was at 32.6%. In addition, the debt-to-income ratio remained at 27.9% in November; excluding real estate financing, the debt-to-income ratio was 25.6%. We see these figures as a risk for delinquencies as the economy recovers.**

**Figure 18. Credit Cost Indicator (ICC) – Non-Earmarked (% p.a.)**



Sources: Brazilian Central Bank, Santander.

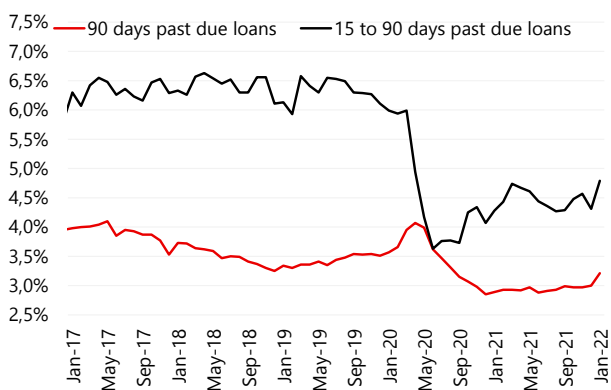
**Figure 19. Average Interest Rate and Spread – Non-Earmarked (% p.a.)**



Sources: Brazilian Central Bank, Santander.

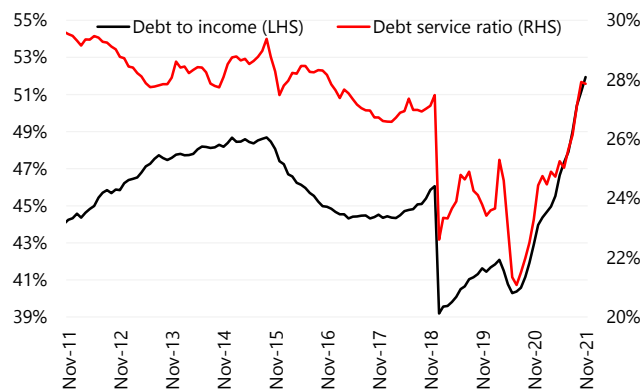


**Figure 20. Loans Due – Households (% , s.a.)**



Sources: Brazilian Central Bank, Santander.

**Figure 21. Household Debt-to-Income and Debt Service Ratio (%)**



Sources: Brazilian Central Bank, Santander.



Figure 22. Indicators

Outstanding inf. adj. (YoY)	Nonearmarked			Earmarked			Total		
	Nov-21	Dec-21	Jan-22	Nov-21	Dec-21	Jan-22	Nov-21	Dec-21	Jan-22
Households	11.1%	11.8%	12.1%	6.9%	7.7%	7.5%	9.2%	9.9%	10.0%
Non-financial corporations	4.7%	6.5%	5.5%	-9.1%	-9.4%	-10.0%	-0.7%	0.4%	-0.5%
Total	8.1%	9.3%	9.1%	0.4%	0.7%	0.5%	4.8%	5.7%	5.4%

New operations inf. adj. (MoM-sa)	Nonearmarked			Earmarked			Total		
	Nov-21	Dec-21	Jan-22	Nov-21	Dec-21	Jan-22	Nov-21	Dec-21	Jan-22
Households	3.7%	-9.6%	1.2%	1.6%	-8.7%	15.4%	2.1%	-9.0%	3.1%
Non-financial corporations	0.6%	1.8%	-1.0%	-11.9%	-7.1%	29.9%	-0.7%	-7.2%	10.5%
Total	1.1%	-8.3%	9.8%	-3.6%	-7.8%	20.3%	0.4%	-11.5%	12.0%

Interest rate (% p.a.)	Nonearmarked			Earmarked			Total		
	Nov-21	Dec-21	Jan-22	Nov-21	Dec-21	Jan-22	Nov-21	Dec-21	Jan-22
Households	44.4%	45%	46.3%	7.9%	8.8%	9.3%	27.9%	28.6%	29.5%
Non-financial corporations	20.0%	19.7%	21.3%	11.4%	10.8%	10.5%	17.6%	17.2%	18.2%
Total	33.7%	33.8%	35.3%	8.9%	9.3%	9.6%	24.0%	24.3%	25.3%

Spreads (p.p)	Nonearmarked			Earmarked			Total		
	Nov-21	Dec-21	Jan-22	Nov-21	Dec-21	Jan-22	Nov-21	Dec-21	Jan-22
Households	33.5	34.7	35.4	3.4	3.3	3.4	19.9	20.5	20.9
Non-financial corporations	9.6	9.7	10.8	3.0	3.1	2.6	7.7	7.8	8.5
Total	23.0	23.7	24.6	3.3	3.3	3.2	15.3	15.7	16.3

	Nov-21	Dec-21	Jan-22
Total Outstanding / GDP	53.4%	54.0%	53.3%
Total Outstanding under public control	42.7%	42.5%	42.8%
Total Outstanding under private control	57.3%	57.5%	57.2%

Sources: Brazilian Central Bank, Santander.



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