

Fabiana Moreira*

fabiana.de.oliveira@santander.com.br
5511 3553-6120

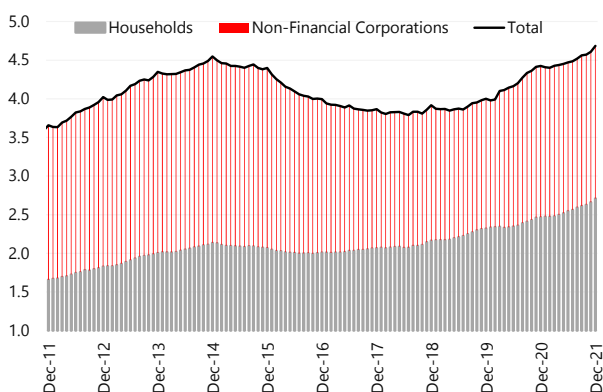
2021 Ends with Strong Credit Growth

- The Brazil Central Bank (BCB) today released data for December showing strong overall growth in credit to households and companies, ending the year up 5.8% YoY.
- For households, the non-earmarked segment posted a decrease of 5.3% MoM-sa. This performance is composed mainly of total personal credit and other goods purchased.
- For companies, the earmarked segment registered a decrease of 7.9% MoM-sa, while the earmarked segment posted a decline of 4.4% MoM-sa.
- Finally, debt-service and debt-to-income ratios continued to rise, reaching the highest point in the series, which we see as a risk for delinquencies as the economy recovers.

Total outstanding loans in the National Financial System (SFN) in December posted inflation-adjusted growth of 5.8% YoY (-4.8 p.p. from the growth registered in 2020) to BRL 4.7 trillion (1.6% MoM). For households, loans were up 9.7% YoY (1.8% MoM); for non-financial corporations, they were up 0.9% YoY (1.4% MoM).

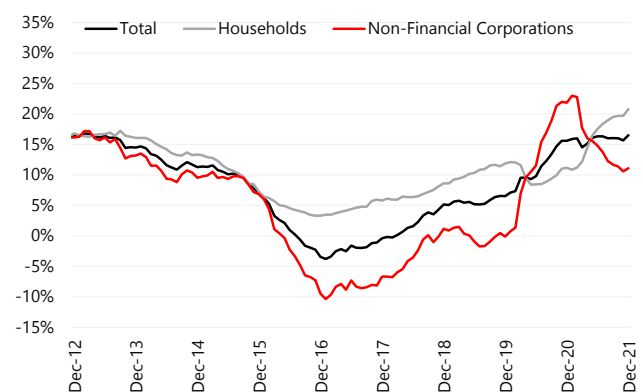
The growth rate of total outstanding loans increased to 16.5%, up 0.9 p.p. from 2020. In addition, credit to corporations rose to 11.1% from 10.6%, while the volume of credit to households continued to accelerate, rising to 20.8% from 19.7%, the highest figure in the historical series.

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 finished the year at their highest figure (+11.5% YoY, inflation adjusted), with **personal credit posting growth of 11.7% YoY (+2.5 p.p. from 2020's growth), inflation adjusted, and credit cards reaching the peak of the series at +24.2% YoY (-2.2% YoY in 2020), inflation adjusted.** For corporations, growth in the balance of non-earmarked loans was 7.5% YoY, with total working capital presenting a negative variation for the sixth time in a row: **-8.2% YoY, inflation adjusted (in 2020: +40.0% YoY, inflation adjusted).**

IMPORTANT DISCLOSURES/CERTIFICATIONS ARE IN THE "IMPORTANT DISCLOSURES" SECTION OF THIS REPORT.

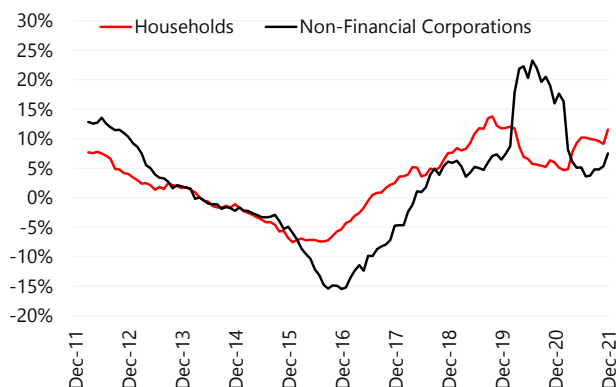
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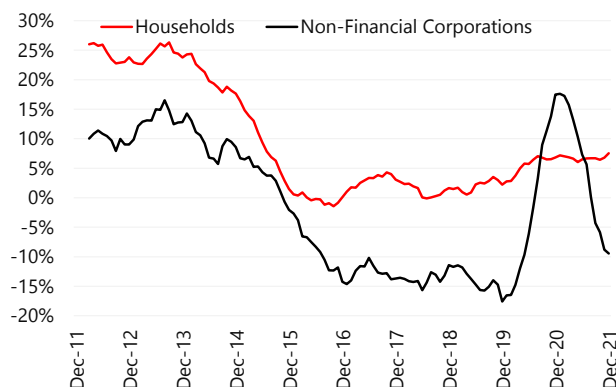
In the earmarked segment, households finished the year with the most growth for 2021, at 7.5% YoY, while **real estate financing showed growth of 0.2 p.p. from last month, to 3.9% YoY, inflation adjusted**, but still lower than the year-ago figure (+6.9% YoY, inflation adjusted). Corporations posted the fourth decrease in a row, -9.5% YoY, inflation adjusted, with **real estate financing for corporations still presenting negative variations over 12 months (-32.5%, inflation adjusted)**.

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



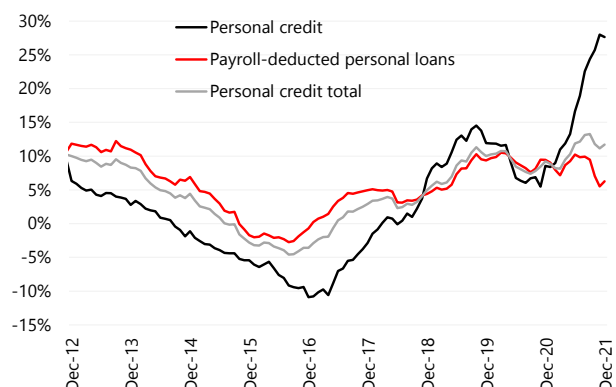
Sources: Brazilian Central Bank, Santander.

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



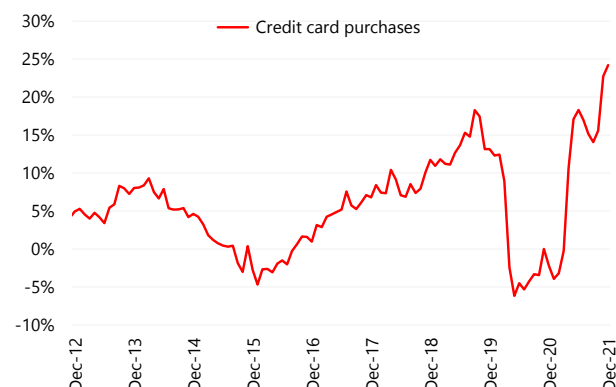
Sources: Brazilian Central Bank, Santander.

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



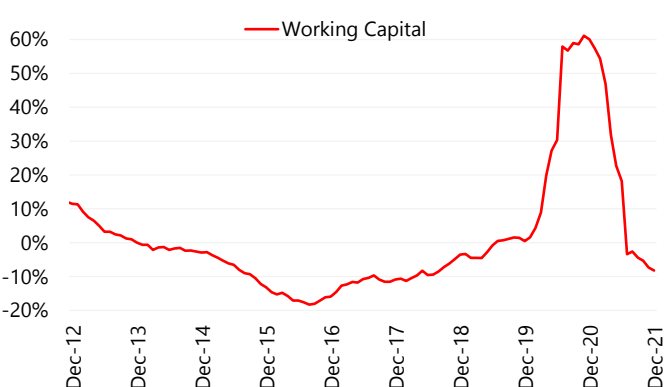
Sources: Brazilian Central Bank, Santander.

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



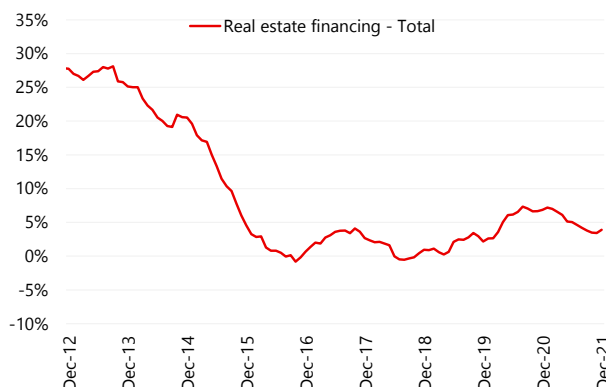
Sources: Brazilian Central Bank, Santander.

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



Sources: Brazilian Central Bank, Santander.

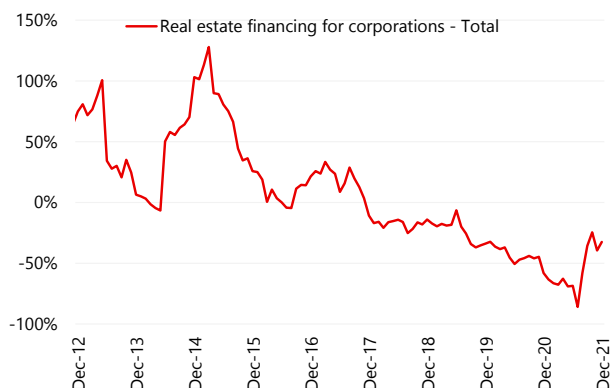
Figure 8. Outstanding Balance – Real Estate Financing for Households – Earmarked (inflation adj.) (% YoY)



Sources: Brazilian Central Bank, Santander.



Figure 9. Outstanding Balance – Real Estate Financing for Corporations – Earmarked (inflation adj.) (% YoY)

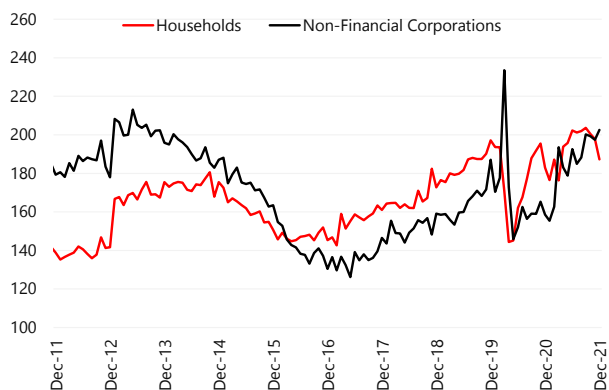


Sources: Brazilian Central Bank, Santander.

New loans adjusted for inflation and seasonality (BCB methodology) recorded a significant decrease, -10.3% in December. For households, the **non-earmarked segment posted a decrease of 5.3% MoM-sa. This performance is composed mainly of total personal credit (-11.5% MoM-nsa) and other goods purchased (-6.8% MoM-nsa).** In the earmarked segment, households posted a substantial decline (-10.8% MoM), with real estate financing falling as well (-4.05% MoM-nsa), but with rural credit rising (4.0% MoM-nsa).

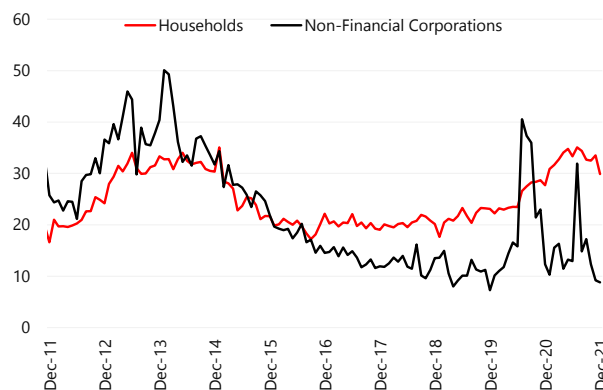
For companies, there was a decrease of 7.9% MoM-sa in December in the non-earmarked segment. **The earmarked segment registered a decrease of 4.4% MoM-sa.**

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



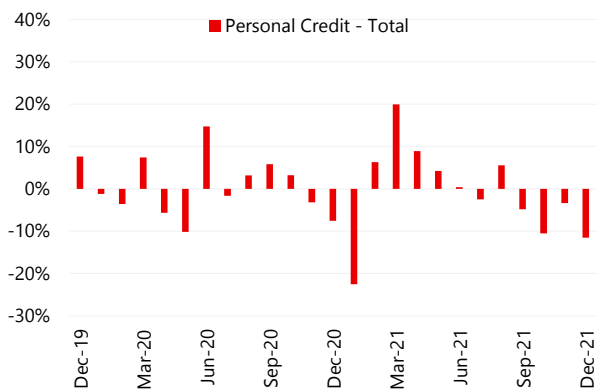
Sources: Brazilian Central Bank, Santander.

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.

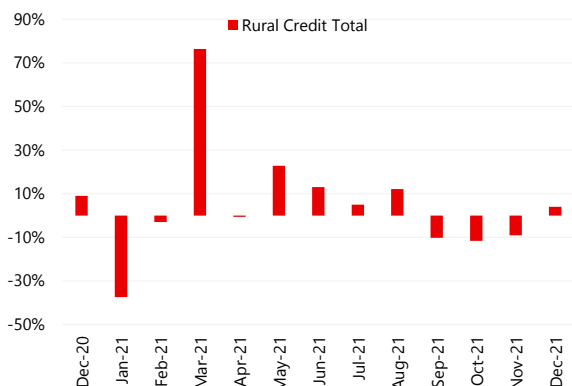
Figure 13. New Operations – Non-Earmarked – Other Goods Purchased (% MoM-nsa)



Sources: Brazilian Central Bank, Santander.

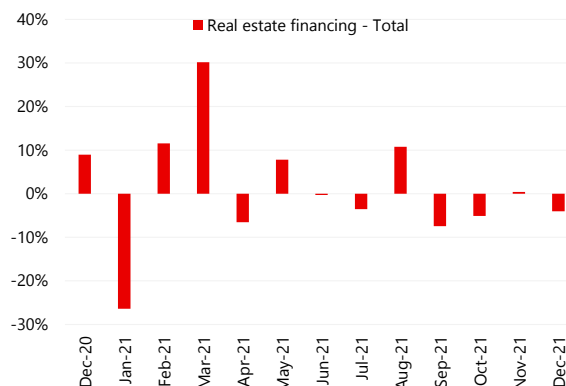


Figure 14. New Operations – Non-Earmarked – Rural Credit Total (% MoM-nsa)



Sources: Brazilian Central Bank, Santander.

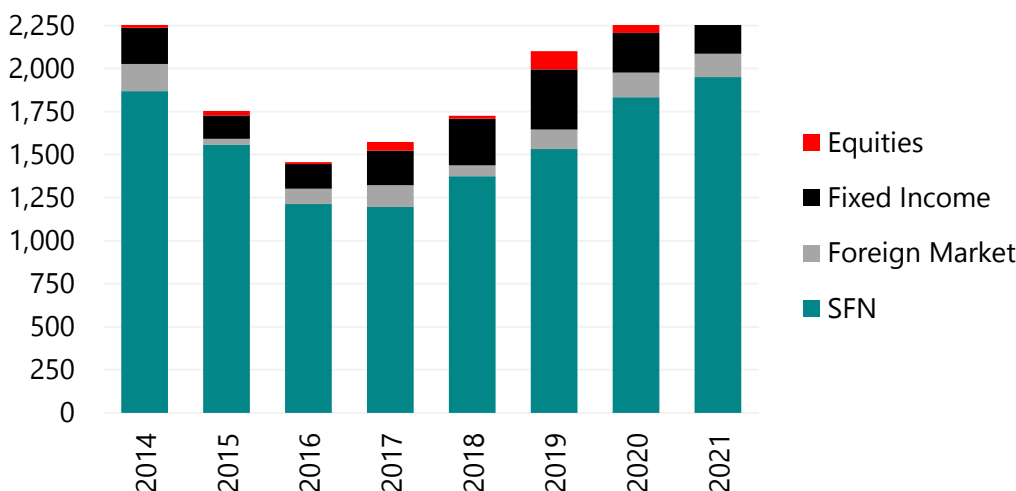
Figure 15. New Operations – Earmarked – Real Estate Financing Total to Households (% MoM-nsa)



Sources: Brazilian Central Bank, Santander.

Considering total corporate financing through 2021 (new loans in the SFN, debt and equity issues in the capital markets) vs. the year-ago period, issuances in the capital markets were 56.1% higher, while SFN concessions were up 6.4%. **As a result, total corporate financing was up 13.41% compared to the year-ago period.**

Figure 16. 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.

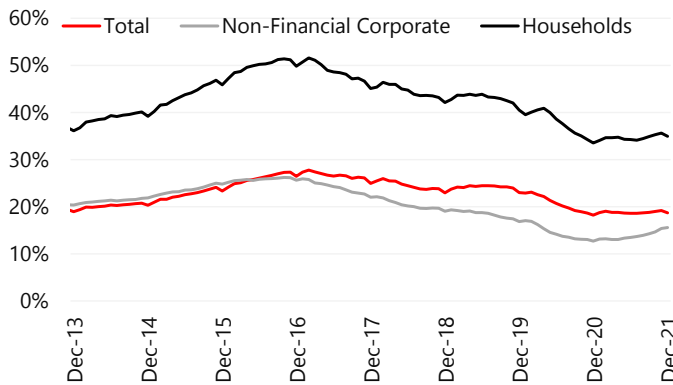
Sources: Brazilian Central Bank, Anbima, Santander.

Lastly, the Credit Cost Indicator (ICC) of non-earmarked loans to households was 35.0% p.a. in December, while for corporations it was 15.6% p.a. The average interest rate for non-earmarked new loans was 45.1% p.a. for households (-0.1 p.p. from November) and 20.0% for corporations (compared to 20.3% p.a. in November). The spread on non-earmarked new loans was 34.8% for households (+0.6 p.p. from November) and 10.0% for corporations (+0.1 p.p. from November).



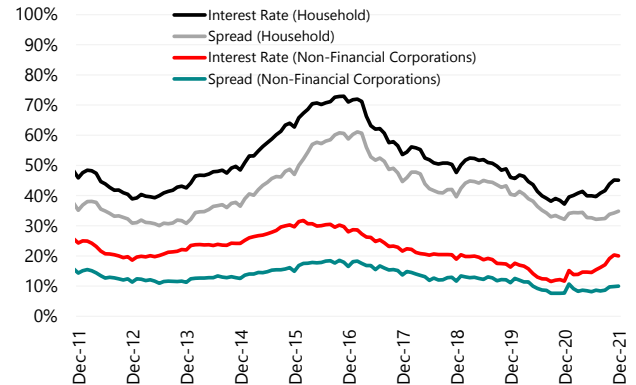
Still regarding non-earmarked loans, the seasonally adjusted default rate (% of 90-day past-due loans) was at 4.4% and 1.5%, respectively, for households and corporations. **Importantly, with the new methodology, the household debt-service ratio reached the highest point in the series, 51.2%, in October; excluding real estate financing, household debt-service was at 32%. In addition, the debt-to-income ratio rose to 27.9% in October; 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 17. Credit Cost Indicator (ICC) – Non-Earmarked (% p.a.)



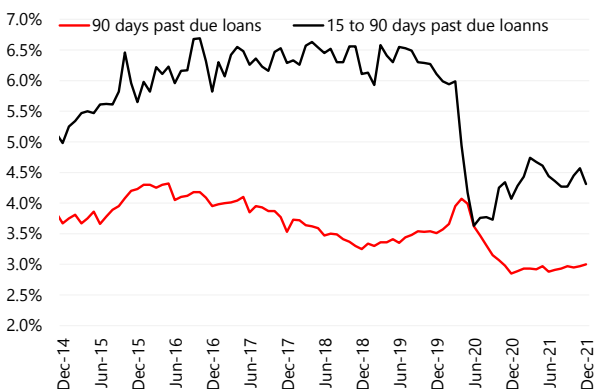
Sources: Brazilian Central Bank, Santander.

Figure 18. Average Interest Rate and Spread – Non-Earmarked (% p.a.)



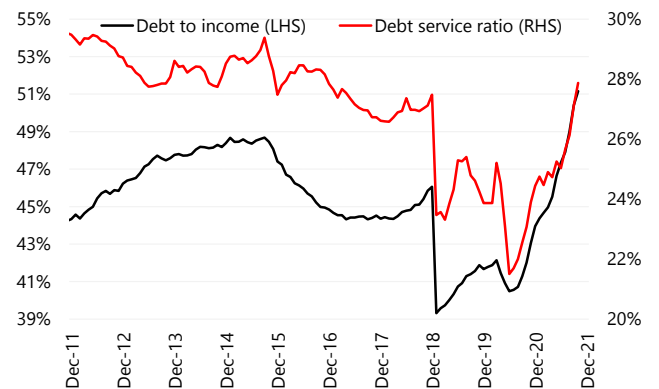
Sources: Brazilian Central Bank, Santander.

Figure 19. Loans Due – Households (% s.a.)



Sources: Brazilian Central Bank, Santander.

Figure 20. Household Debt-to-Income and Debt Service Ratio (%)



Sources: Brazilian Central Bank, Santander.



Figure 21. Indicators

Outstanding inf. adj. (YoY)	Nonearmarked			Earmarked			Total		
	Oct-21	Nov-21	Dec-21	Oct-21	Nov-21	Dec-21	Oct-21	Nov-21	Dec-21
Households	9.6%	9.1%	11.5%	6.4%	6.8%	7.5%	8.1%	8.1%	9.7%
Non-financial corporations	4.8%	5.4%	7.5%	-5.8%	-8.8%	-9.5%	0.6%	-0.1%	0.9%
Total	7.3%	7.4%	9.6%	1.5%	0.5%	0.7%	4.8%	4.4%	5.8%

New operations inf. adj. (MoM-sa)	Nonearmarked			Earmarked			Total		
	Oct-21	Nov-21	Dec-21	Oct-21	Nov-21	Dec-21	Oct-21	Nov-21	Dec-21
Households	-1.6%	-1.3%	-5.3%	-0.5%	3.1%	-10.8%	-1.1%	-1.5%	-5.9%
Non-financial corporations	-0.5%	-0.9%	2.6%	-28.4%	-25.4%	-4.4%	3.8%	-3.8%	-7.9%
Total	0.6%	-1.3%	-6.9%	-4.8%	-7.2%	-6.6%	0.5%	-2.1%	-10.3%

Interest rate (% p.a.)	Nonearmarked			Earmarked			Total		
	Oct-21	Nov-21	Dec-21	Oct-21	Nov-21	Dec-21	Oct-21	Nov-21	Dec-21
Households	43.8%	45%	45.1%	7.7%	7.9%	8.8%	27.2%	28.2%	28.7%
Non-financial corporations	19.1%	20.3%	20.0%	10.8%	11.6%	10.7%	16.7%	17.8%	17.4%
Total	32.8%	34.1%	33.9%	8.5%	9.0%	9.3%	23.2%	24.3%	24.4%

Spreads (p.p)	Nonearmarked			Earmarked			Total		
	Oct-21	Nov-21	Dec-21	Oct-21	Nov-21	Dec-21	Oct-21	Nov-21	Dec-21
Households	33.8	34.2	34.8	3.7	3.4	3.3	20.0	20.1	20.6
Non-financial corporations	9.7	9.9	10.0	2.9	3.2	3.0	7.8	8.0	8.0
Total	23.1	23.4	23.8	3.5	3.4	3.2	15.3	15.5	15.8

	Oct-21	Nov-21	Dec-21
Total Outstanding / GDP	53.2%	53.2%	54.0%
Total Outstanding under public control	43.0%	42.5%	42.5%
Total Outstanding under private control	57.0%	57.5%	57.5%

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 – Commodities	felipe.kotinda@santander.com.br	5511-3553-8071
Gabriel Couto*	Economist – Special Projects	gabriel.couto@santander.com.br	5511-3553-8487
Fabiana Moreira*	Economist – Credit	fabiana.de.oliveira@santander.com.br	5511-3553-6120
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

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