

## A Weak First Half of the Year for Credit

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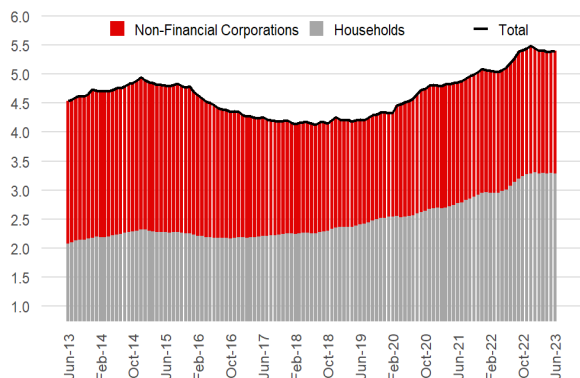
- Total outstanding loans in the National Financial System (SFN) posted inflation-adjusted growth of 5.6% YoY for June (-0.8 p.p vs. May 2023), to R\$5.4 trillion, still reflecting the slowdown in activity and more restrictive financial conditions that marked the first half of the year.
- In the non-earmarked segment, household credit portfolios decelerated at the margin, at 7.2% YoY, -2 p.p. from May 2023. For corporations, in the non-earmarked segment, the real growth rate presented a variation of -2% YoY.
- In the earmarked segment, loans to households remained stable at the margin in June's growth rate to 12.1% YoY — the same number as in May 2023. For corporations, in the earmarked segment, balance loans posted growth of 4.8 % YoY (adjusted for inflation), also with no change from May 2023.
- Considering total corporate financing YTD through June 2023 (new loans in the SFN, debt, and equity issues in the capital markets) vs. the year-ago period, issuances in the capital markets were 39.5% lower, with SFN concessions also down 2.8%. As a result, total corporate financing is 35.3% lower than the year-ago period. Both the SFN and the capital markets have seen deceleration of credit on the back of high interest rates, higher perceived risk in the credit market and the slowing of economic activity in the first semester.
- In the non-earmarked segment, the seasonally adjusted default rate (% of 90-day past-due loans) remained flat for households at 6.3% and marked the sixth month with a default rate higher than 6% (since January 2017) and grew to 3.1% for corporates.
- Household debt-to-income accelerated at the margin, reaching 48.8% in April, still high but dropping 0.9 p.p. from February 2022. In addition, the debt service ratio reached 27.9% in April.

### Outstanding Loans

**Total outstanding loans in the National Financial System (SFN) posted inflation-adjusted growth of 5.6% YoY for June (-0.8 p.p vs. May 2023), to R\$5.4 trillion, reflecting the slowdown in activity and more restrictive financial conditions.** Loans to households remained high, leading overall loans to rise 9.3% YoY, 1.1 p.p. lower than the number registered in May 2023; for non-financial corporations, loans rose 0.3% YoY, also 0.2 p.p. lower than in May 2023. **Credit-to-GDP reached 52.4%**, -0.2 p.p. from May 2023.

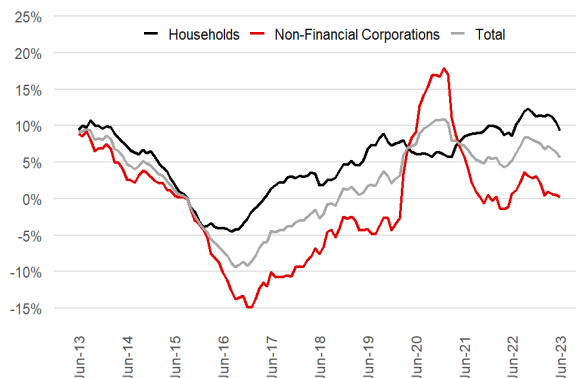


**Figure 1. Total Outstanding Balance of Credit Operations (inflation adjusted, BRL billion)**



Sources: Brazilian Central Bank, Santander.

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



Sources: Brazilian Central Bank, Santander.

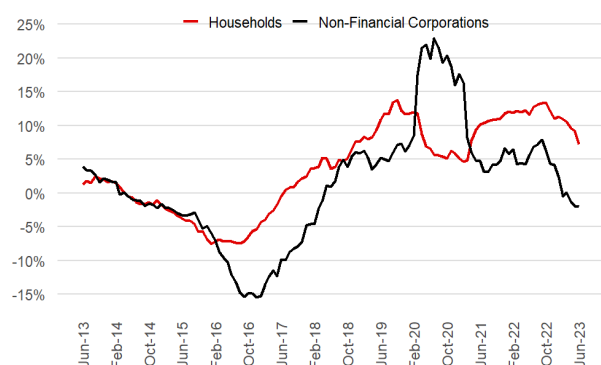
In the non-earmarked segment, household credit portfolios decelerated at the margin, to 7.2% YoY, -2 p.p. from May 2023. **Total personal real credit grew 5.7% YoY, and credit cards decelerated at the margin, down 10.6% YoY, inflation adjusted, -2.1 p.p. from May 2023, in line with the accommodation of consumption after the year-end events and highly adverse economic conditions.**

For corporations, in the non-earmarked segment, the real growth rate presented a variation of -2% YoY, with **total working capital presenting a negative real variation of 9.1% YoY, and the discount of trade bill falling 10.6% YoY, also in real terms, the fifth consecutive negative variation since September 2020.**

On the other hand, in the earmarked segment, loans to households remained stable at the margin in June's growth rate, to 12.1% YoY, no change from May 2023. **Real estate financing grew 8.1% YoY, inflation adjusted. Rural credit grew 24.1% YoY, adjusted for inflation.**

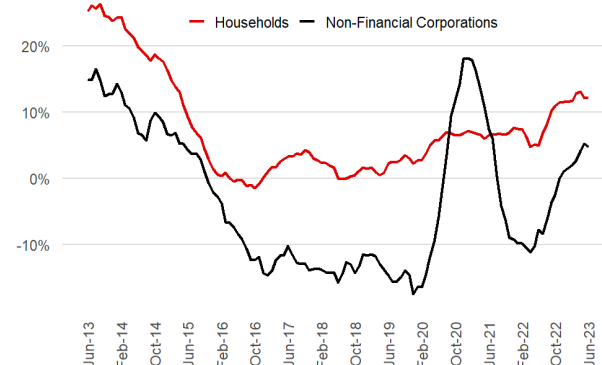
For corporations, in the earmarked segment, balance loans posted growth of 4.8 % YoY (adjusted for inflation), same result from May 2023, and still in line with the reissuance of public programs and signs of greater dynamism in lines with BNDES resources.

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



Sources: Brazilian Central Bank, Santander.

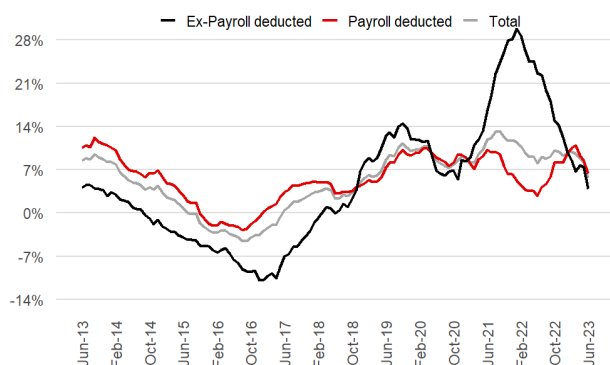
**Figure 4. Outstanding Balance – Earmarked (inflation adjusted) (% YoY)**



Sources: Brazilian Central Bank, Santander.

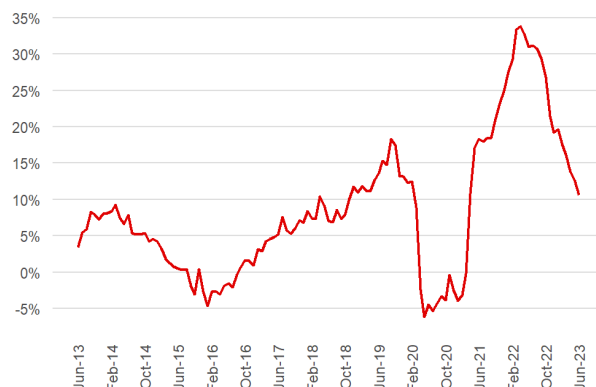


**Figure 5. Outstanding Balance Households – Personal Credit – Non-Earmarked (inflation adjusted) (% YoY)**



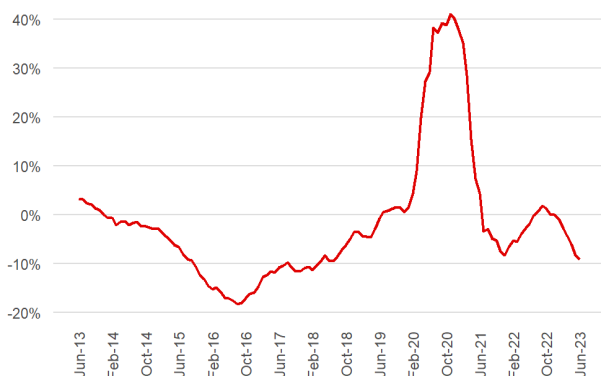
Sources: Brazilian Central Bank, Santander.

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



Sources: Brazilian Central Bank, Santander.

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



Sources: Brazilian Central Bank, Santander.

**Figure 8. Outstanding Balance Corporates – Discount of Trade Bills – Non-Earmarked (inflation adj.) (% YoY)**



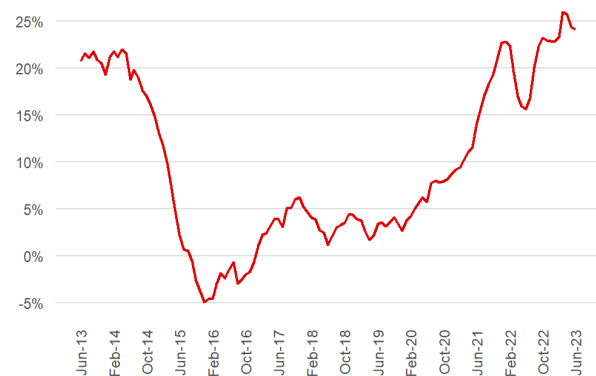
Sources: Brazilian Central Bank, Santander.

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



Sources: Brazilian Central Bank, Santander.

**Figure 10. Outstanding Balance Households – Total Rural Credit – Earmarked (inflation adj.) (% YoY)**



Sources: Brazilian Central Bank, Santander.



**Figure 11. Outstanding Balance Corporates – BNDES Funds – Earmarked (inflation adj.) (% YoY)**

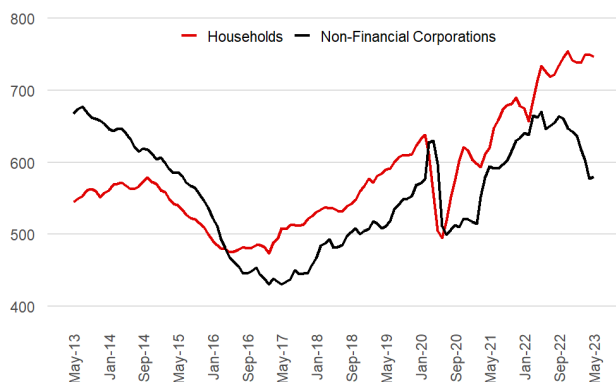


Sources: Brazilian Central Bank, Santander.

**New Loans**

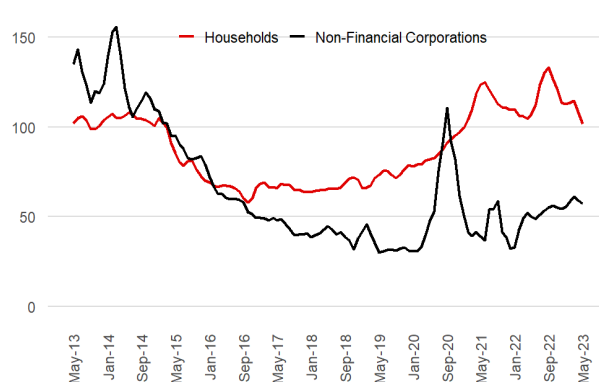
New loans adjusted for inflation and seasonality (Brazil Central Bank methodology) posted an increase of 0.9% in June. This result was driven by a combination of 10.5% MoM-sa for households and 13.1% MoM-sa for non-financial corporations. **For households, the non-earmarked segment increased 0.6% MoM-sa, after May’s fall of -0.6% MoM-sa. In the earmarked segment, loans to households increased 4.6% MoM-sa in June.**

**Figure 12. New Operations – Non-Earmarked (inflation and seasonally adjusted, BRL billions, mm3m)**



Sources: Brazilian Central Bank, Santander.

**Figure 13. New Operations – Earmarked (inflation and seasonally adjusted, BRL thousands, m3mm)**



Sources: Brazilian Central Bank, Santander.

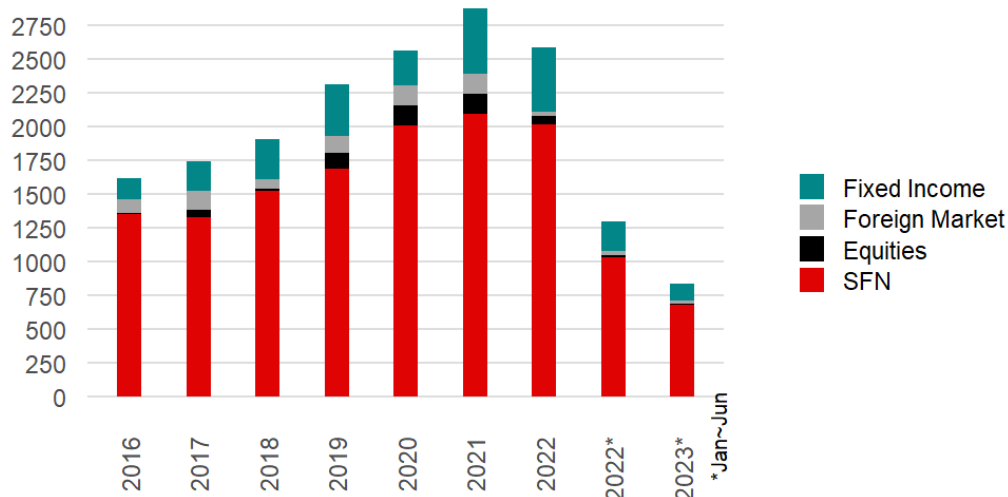
**For companies, there was an increase of 6.5% MoM-sa in June in the non-earmarked segment, following May’s rise of 6.4% MoM-sa. We highlight that total working capital showed a large rebound in June (8.3% MoM-sa), contrasting with May’s fall (-7.6% MoM-sa). The earmarked segment posted a decrease of 1.8% MoM-sa.**



## Total Credit

Considering total corporate financing YTD through June 2023 (new loans in the SFN, debt, and equity issues in the capital markets) vs. the year-ago period, issuances in the capital markets were 39.5% lower, with SFN concessions also down 2.8%. **As a result, total corporate financing is 35.3% lower than the year-ago period. Both the SFN and the capital markets are seeing a deceleration of credit on the back of high interest rates, higher perceived risk in the credit market and the expected slowing of economic activity this year.**

Figure 14. Total Corporate Financing (inflation adjusted, BRL billions)



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

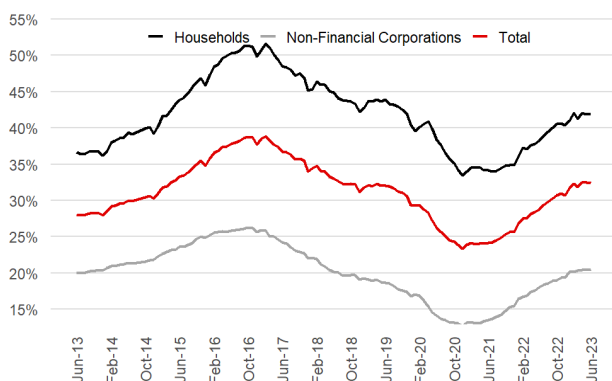
Sources: Brazilian Central Bank, Anbima, Santander.

## Credit Conditions

Lastly, the Credit Cost Indicator (ICC) for non-earmarked loans to households remained flat, reaching 41.9% p.a. in June, 0.2 p.p. higher than in May 2023, and the indicator for corporations increased to 20.5% p.a., up 0.1 p.p. from May 2023. The average interest rate for non-earmarked new loans fell to 59.1% p.a. for households, thus at -0.8 p.p. from May 2023, and decrease for corporations, to 23.1% p.a., thus at -0.8 p.p. from May 2023. The spread on non-earmarked new loans dropped to 47.4% for households (-0.2 p.p. from May 2023) and dropped to 11.8% for corporations.

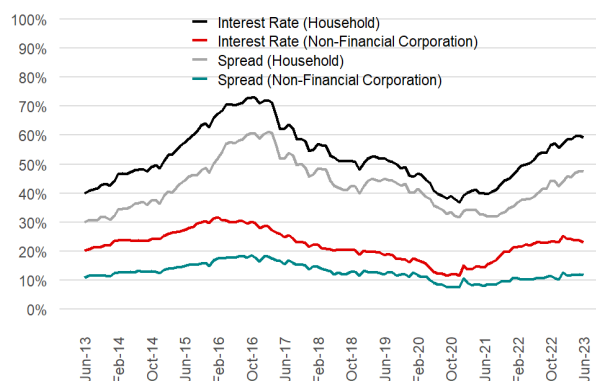


**Figure 15. Credit Cost Indicator (ICC) – Non-Earmarked (% p.a.)**



Sources: Brazilian Central Bank, Santander.

**Figure 16. Average Interest Rate and Spread – Non-Earmarked (% p.a.)**



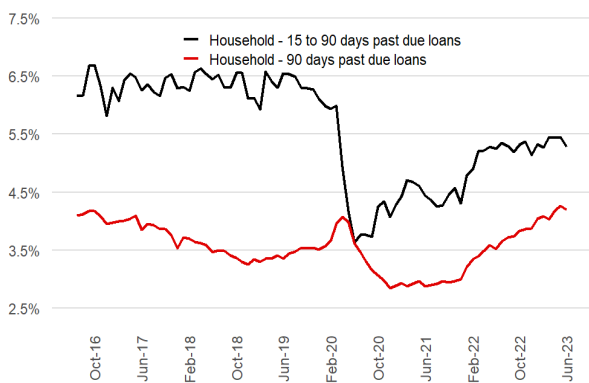
Sources: Brazilian Central Bank, Santander.

**Household Debt**

Still regarding non-earmarked loans, in June, the seasonally adjusted default rate (% of 90-day past-due loans) remained flat at 6.3% for households and marked the sixth month with a default rate higher than 6% (since January 2017) and grew to 3.1% for corporates.

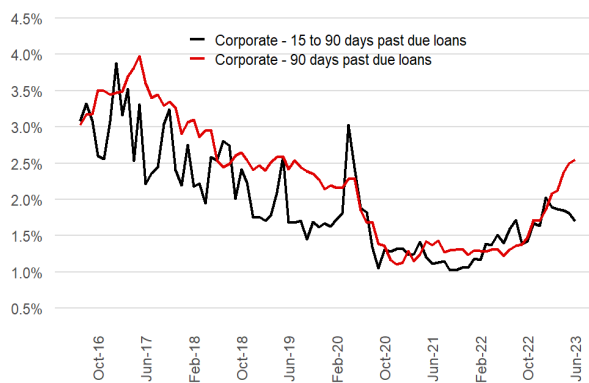
**Importantly, household debt-to-income accelerated at the margin, reaching 48.8% in May, still high but down 0.9 p.p. from February 2022. Excluding real estate financing, household debt-to-income was 31%, remained unchanged from the previous figure, thus -0.6 p.p. from the year-ago period. In addition, the debt service ratio reached 28.1% in May; excluding real estate financing, the debt service ratio was 26.1%.**

**Figure 17. Loans Due – Households (% , s.a.)**



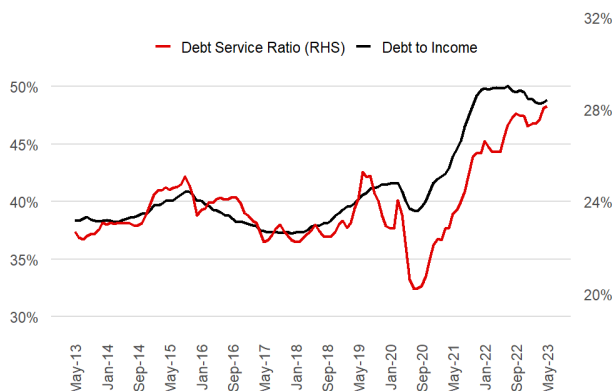
Sources: Brazilian Central Bank, Santander.

**Figure 18. Loans Due – Corporate (% , s.a.)**



Sources: Brazilian Central Bank, Santander.

**Figure 19. Household Debt-to-Income and Debt Service Ratio (%)**



Sources: Brazilian Central Bank, Santander.



Figure 20. Indicators

Outstanding inf. adj. (YoY)	Nonearmarked			Earmarked			Total		
	Apr-23	May-23	Jun-23	Apr-23	May-23	Jun-23	Apr-23	May-23	Jun-23
Households	9,6%	9,2%	7,2%	13,2%	12,1%	12,1%	11,2%	10,5%	9,3%
Non-Financial Corporations	-1,3%	-1,9%	-2,0%	4,2%	5,3%	4,8%	0,6%	0,5%	0,3%
<b>Total</b>	<b>4,7%</b>	<b>4,2%</b>	<b>3,0%</b>	<b>10,0%</b>	<b>9,7%</b>	<b>9,5%</b>	<b>6,8%</b>	<b>6,4%</b>	<b>5,6%</b>

New Opearations inf. adj. (MoM-sa)	Nonearmarked			Earmarked			Total		
	Apr-23	May-23	Jun-23	Apr-23	May-23	Jun-23	Apr-23	May-23	Jun-23
Households	0,5%	-0,6%	0,6%	-21,0%	-2,4%	4,6%	-1,3%	-1,2%	9,3%
Non-Financial Corporations	-12,3%	6,4%	6,5%	-8,4%	1,3%	-1,8%	-0,6%	4,2%	0,3%
<b>Total</b>	<b>-0,3%</b>	<b>2,0%</b>	<b>1,6%</b>	<b>-15,2%</b>	<b>-1,7%</b>	<b>1,7%</b>	<b>-2,1%</b>	<b>1,4%</b>	<b>0,9%</b>

Interest Rate (% pa)	Nonearmarked			Earmarked			Total		
	Apr-23	May-23	Jun-23	Apr-23	May-23	Jun-23	Apr-23	May-23	Jun-23
Households	59,6%	59,9%	59,1%	11,5%	12,1%	12,0%	37,7%	38,2%	9,3%
Non-Financial Corporations	23,8%	23,8%	23,1%	14,3%	13,3%	11,9%	21,3%	21,0%	0,3%
<b>Total</b>	<b>45,1%</b>	<b>45,4%</b>	<b>44,6%</b>	<b>12,1%</b>	<b>12,4%</b>	<b>12,0%</b>	<b>32,1%</b>	<b>32,5%</b>	<b>31,7%</b>

Spreads (p.p.)	Nonearmarked			Earmarked			Total		
	Apr-23	May-23	Jun-23	Apr-23	May-23	Jun-23	Apr-23	May-23	Jun-23
Households	47,0	47,7	47,4	5,0	5,2	5,4	27,9	28,4	9,3
Non-Financial Corporations	11,7	11,9	11,9	4,0	3,9	4,1	9,6	9,8	0,3
<b>Total</b>	<b>32,7</b>	<b>33,3</b>	<b>33,1</b>	<b>4,8</b>	<b>4,9</b>	<b>5,1</b>	<b>21,7</b>	<b>22,2</b>	<b>22,1</b>

Past Due Loans (%)	Nonearmarked			Earmarked			Total		
	Apr-23	May-23	Jun-23	Apr-23	May-23	Jun-23	Apr-23	May-23	Jun-23
Households	6,20	6,29	6,30	1,66	1,69	1,59	4,19	4,26	9,33
Non-Financial Corporations	2,81	3,02	3,08	1,56	1,58	1,58	2,37	2,50	0,28
<b>Total</b>	<b>4,76</b>	<b>4,91</b>	<b>4,92</b>	<b>1,63</b>	<b>1,65</b>	<b>1,59</b>	<b>3,48</b>	<b>3,58</b>	<b>3,55</b>

	Apr-23	May-23	Jun-23
<b>Total Outstanding / GDP</b>	<b>52,6%</b>	<b>52,5%</b>	<b>52,4%</b>
<b>Total Outstanding under public control</b>	<b>43,0%</b>	<b>43,1%</b>	<b>43,2%</b>
<b>Total Outstanding under public control</b>	<b>57,0%</b>	<b>56,9%</b>	<b>56,8%</b>

Sources: Brazilian Central Bank, Santander.





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