

## August Credit Data: Household Credit is Dynamic and So Is a Rise in Household Debt

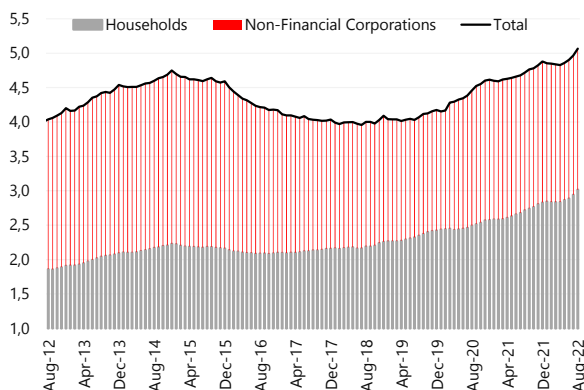
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- Today, the Brazil Central Bank (BCB) released August credit data, which showed overall real growth in credit to households and companies at 7.4% YoY, which indicates that credit is possibly near peaks.
- For new loans to households, the non-earmarked segment decreased 0.4% MoM-sa, from July's rise of 1.6% MoM-sa. We highlight the rise in total personal credit (4% MoM-sa) and rise in credit card debt (2.8% MoM-sa).
- For companies, there was an increase of 2.8% MoM-sa in August in the non-earmarked segment, with total working capital showing a negative variation (-21.4% MoM-sa), after the rise of 32.4% MoM-sa in July. The earmarked segment presented a strong increase of 14.6% MoM-sa, with operations with BNDES funds increasing 56% MoM-sa.
- Finally, debt-to-income and debt-service ratios for July continued to rise and reached the peak for both series (53.1% and 28.6%, respectively), which we see as a risk for delinquencies as the economy recovers.

### Outstanding Loans

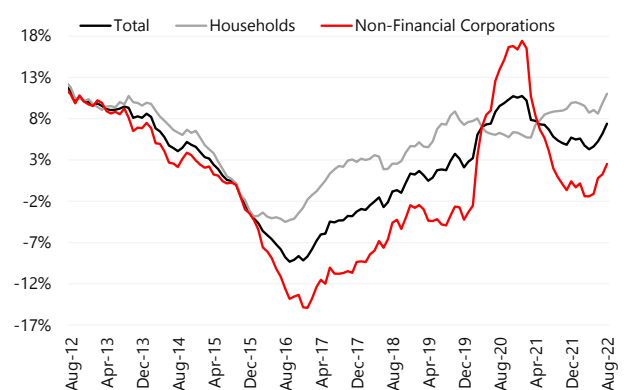
Total outstanding loans in the National Financial System (SFN) in August posted inflation-adjusted growth of 7.4% YoY, to BRL5.1 trillion. Once again, households kept accelerating and led loans, rising 11% YoY, still driven by the full reopening of activities and labor market recovery; for non-financial corporations, loans rose 2.51% YoY.

**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 August, in the non-earmarked segment, household credit portfolios delivered real growth of 13.2% YoY (the greatest number since October 2019), with **total personal real credit growing 9.08% YoY and credit cards continuing to accelerate, up 30.6% YoY, inflation adjusted, which is in line with the rise in consumption.** For corporations, real growth in the balance of non-earmarked loans was 7.5% YoY (the greatest number since

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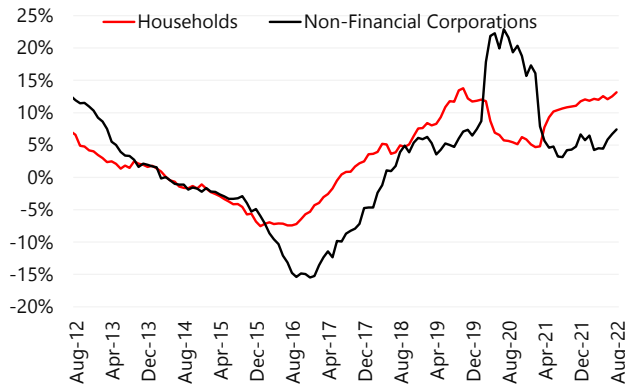
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March 2021), with **total working capital presenting a tepid positive variation for the first time after the thirteenth time in a row, 0.9% YoY (inflation adjusted), and others rising 4.6% YoY (inflation adjusted).**

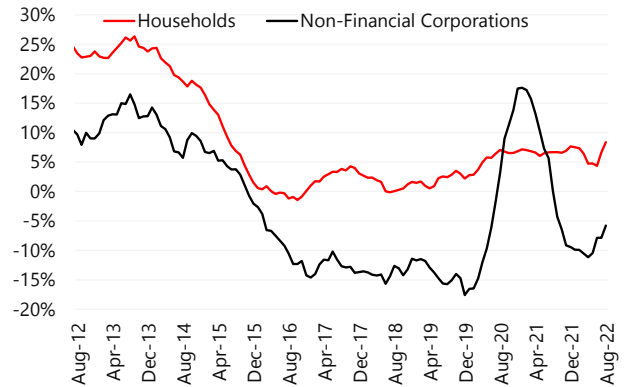
In the earmarked segment, households grew 8.4% YoY (the greatest number since June 2015), with **microcredit also showing a strong growth of 21.8% YoY, inflation adjusted**, the highest number in the year. **Rural credit grew 20.2% YoY, inflation adjusted.** Corporations posted the twelfth decrease in a row, -5.8% YoY (inflation adjusted), with **total rural credit growing a robust 36% YoY (inflation adjusted)**, thanks to the 2022-2023 Crop Plan.

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



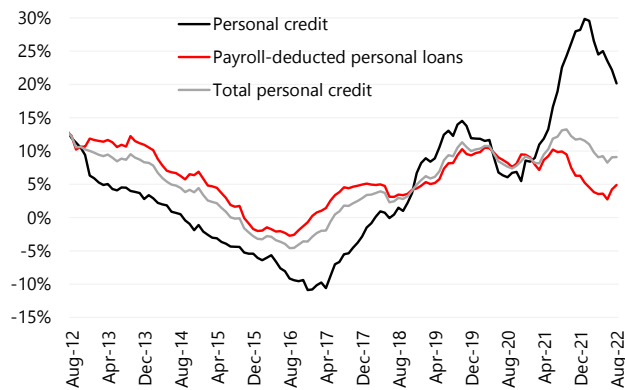
Sources: Brazilian Central Bank, Santander.

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



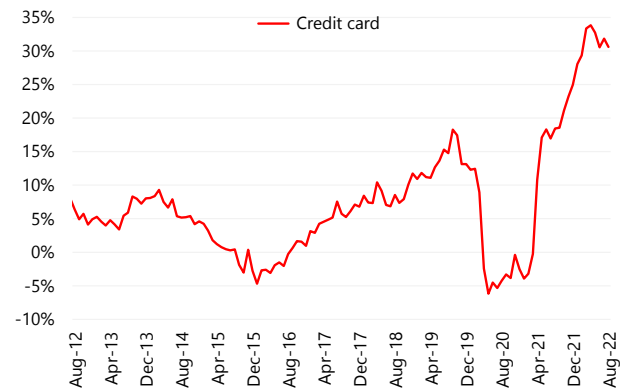
Sources: Brazilian Central Bank, Santander.

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



Sources: Brazilian Central Bank, Santander.

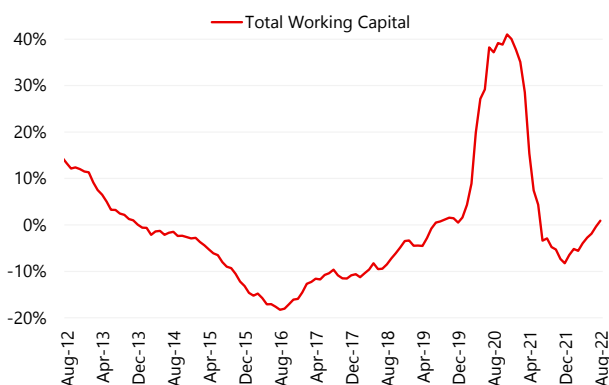
**Figure 6. Outstanding Balance Households – Credit Card – Non-Earmarked (inflation adjusted) (% YoY)**



Sources: Brazilian Central Bank, Santander.

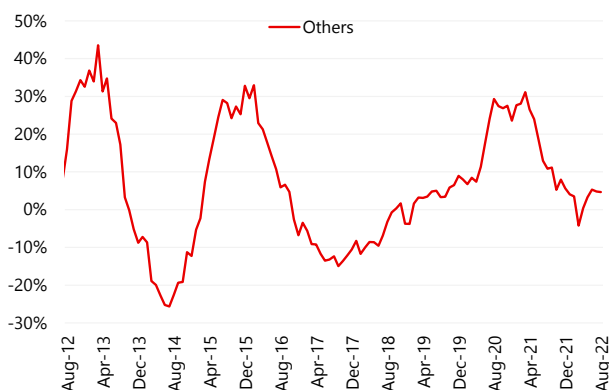


**Figure 7. Outstanding Balance Corporates - Working Capital – Non-Earmarked (inflation adj.) (% YoY)**



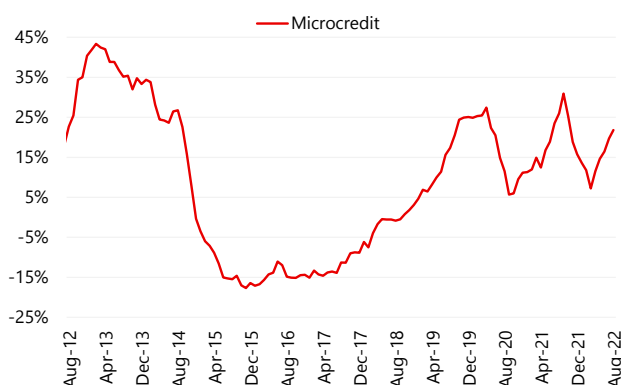
Sources: Brazilian Central Bank, Santander.

**Figure 8. Outstanding Balance Corporates – Others – Non-Earmarked (inflation adj.) (% YoY)**



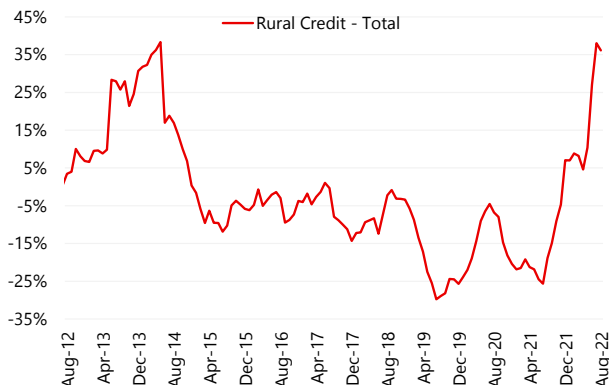
Sources: Brazilian Central Bank, Santander.

**Figure 9. Outstanding Balance Households – Microcredit – Earmarked (inflation adj.) (% YoY)**



Sources: Brazilian Central Bank, Santander.

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



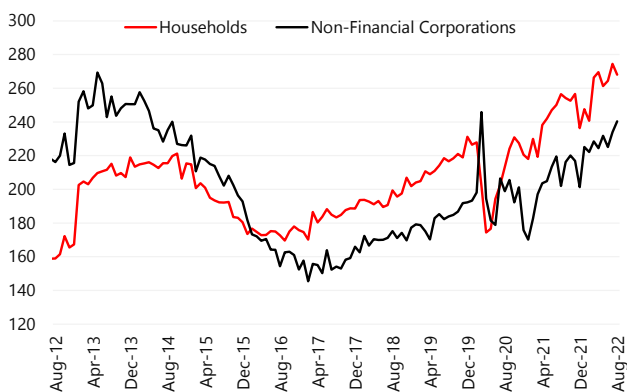
**New Loans**

New loans adjusted for inflation and seasonality (BCB methodology) rose 2.1% in August from July’s increase of 3.8% MoM-sa. For households, the **non-earmarked segment decreased 0.4% MoM-sa, from July’s rise of 1.6% MoM-sa**. We highlight the rise in total personal credit (4% MoM-sa) and credit cards’ rise (2.8% MoM-sa).

**In the earmarked segment, households decreased a strong 14% MoM-sa, from July’s rise of 15.7% MoM.** Real estate financing fell (-8.13% MoM-sa), and rural credit showed a tepid variation of -3% MoM-sa from July’s strong rise of (38% MoM-sa), in line with the 2022-2023 Crop Plan.

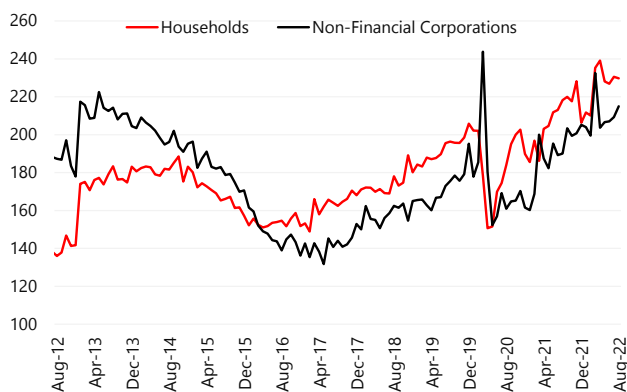


**Figure 11. New Operations – Non-Earmarked (inflation and seasonally adjusted, BRL billions)**



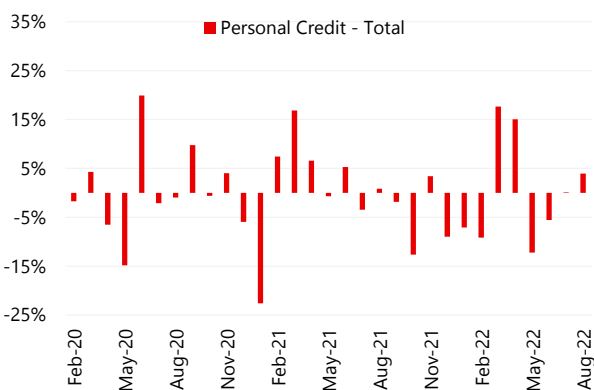
Sources: Brazilian Central Bank, Santander.

**Figure 12. New Operations – Earmarked (inflation and seasonally adjusted, BRL thousands)**



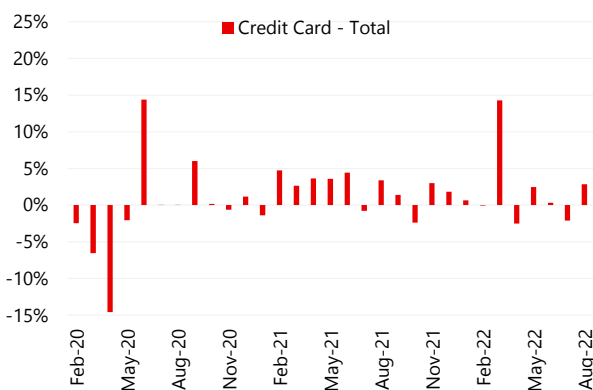
Sources: Brazilian Central Bank, Santander.

**Figure 13. New Operations – Non-Earmarked – Personal Credit Total (% MoM)**



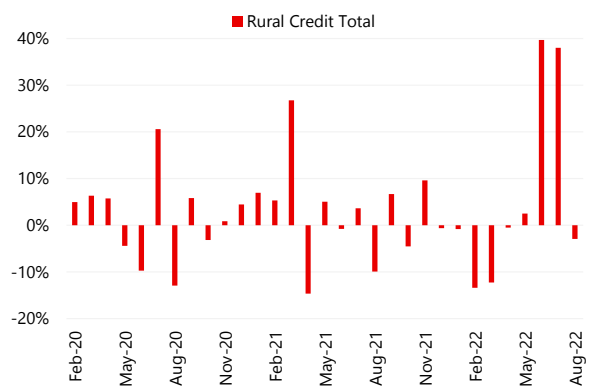
Sources: Brazilian Central Bank, Santander.

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



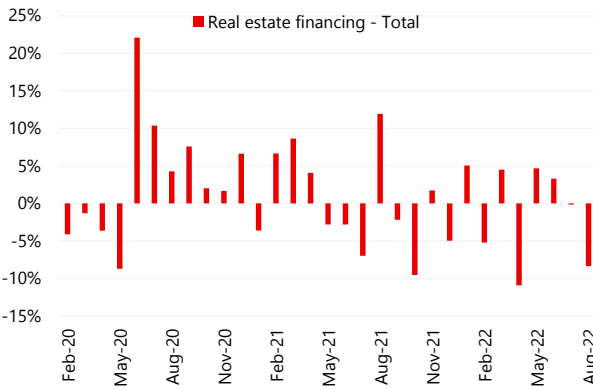
Sources: Brazilian Central Bank, Santander.

**Figure 15. New Operations – Earmarked – Rural Credit to Households (% MoM)**



Sources: Brazilian Central Bank, Santander.

**Figure 16. New Operations – Earmarked – Real Estate Financing Total to Households (% MoM)**

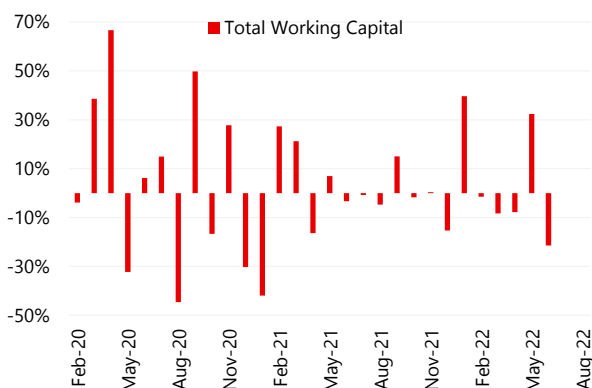


Sources: Brazilian Central Bank, Santander.

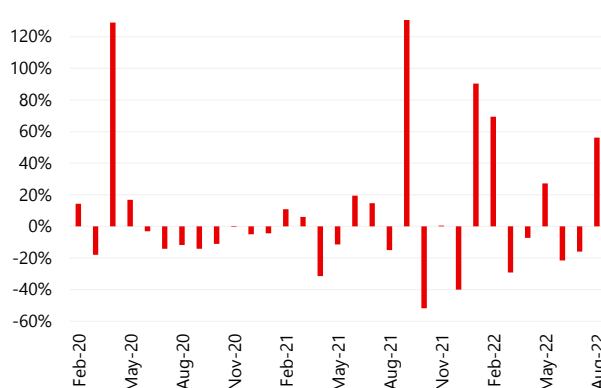
For companies, there **was an increase of 2.8% MoM-sa in August in the non-earmarked segment**, with total working capital showing a negative variation (-21.4% MoM-sa), after the rise of 32.4% MoM-sa in July. **The earmarked segment presented a strong increase of 14.6% MoM-sa, with operations with BNDES funds increasing 56% MoM-sa.**



**Figure 17. New Operations – Non-Earmarked – Working Capital (% MoM)**



**Figure 18. New Operations – Earmarked – BNDES Funds (% MoM)**

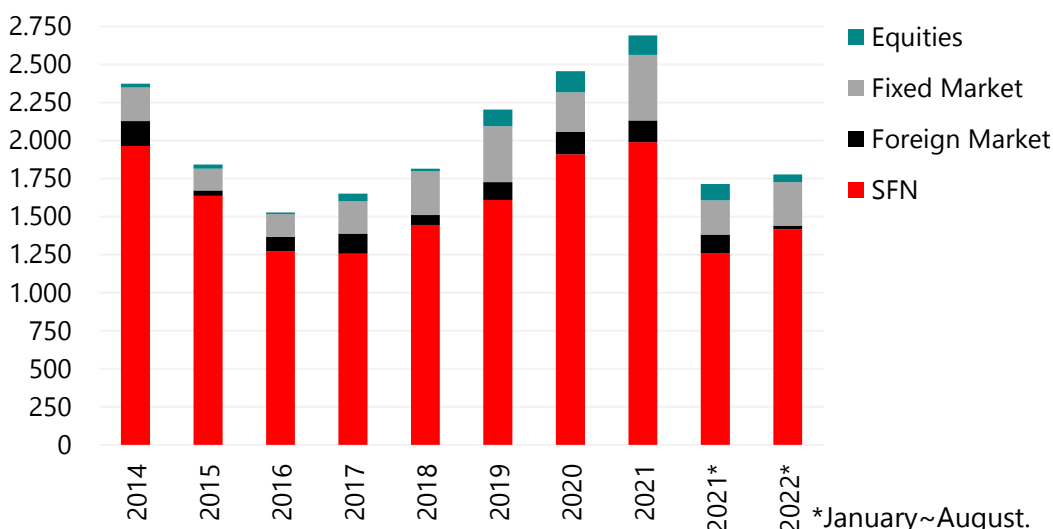


Sources: Brazilian Central Bank, Santander.

**Total Credit**

Considering total corporate financing YTD through August 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 20.4% smaller, with SFN concessions up 12.3%. **As a result, total corporate financing was up 3.6% compared to the year-ago period.**

**Figure 19. 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.

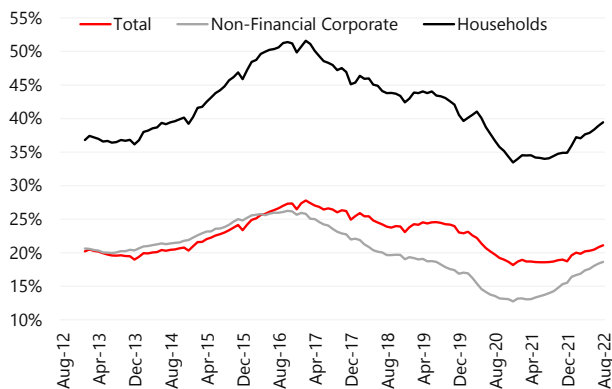
Sources: Brazilian Central Bank, Anbima, Santander.

**Credit Conditions**

Lastly, the Credit Cost Indicator (ICC) of non-earmarked loans to households continued to rise, reaching 39.4% p.a. in August, the highest indicator since May 2020, and the indicator of corporations rising as well, to 18.7% p.a., the highest indicator since May 2019. The average interest rate for non-earmarked new loans was 53.9% p.a. for households, the highest rate since April 2018, and 22.8% p.a. for corporations, the highest rate since November 2017. The spread on non-earmarked new loans was 41.5% for households (1.3 p.p. from July 2022) and 10.7% for corporations (-0.2 p.p. from July 2022).

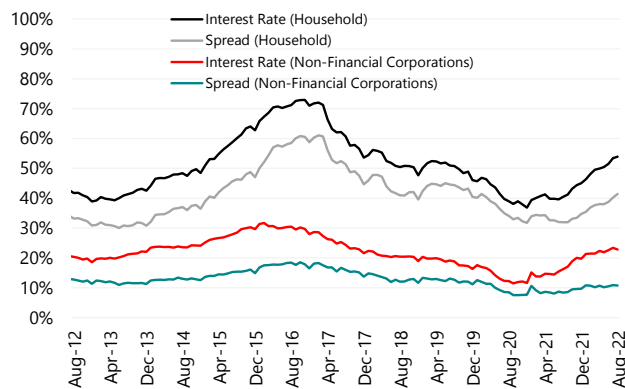


**Figure 20. Credit Cost Indicator (ICC) – Non-Earmarked (% p.a.)**



Sources: Brazilian Central Bank, Santander.

**Figure 21. Average Interest Rate and Spread – Non-Earmarked (% p.a.)**

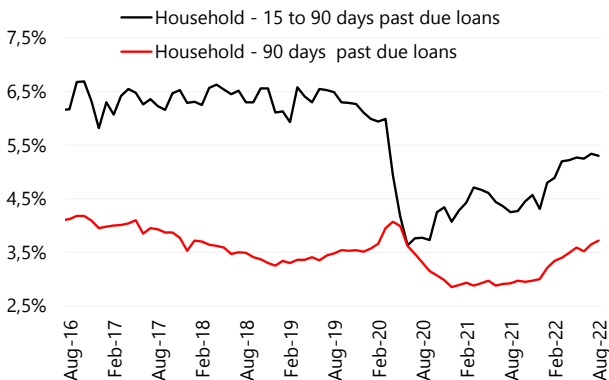


Sources: Brazilian Central Bank, Santander.

**Household Debt**

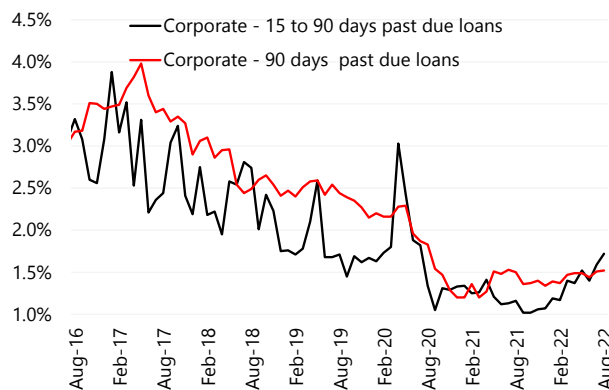
Still regarding non-earmarked loans, the seasonally adjusted default rate (% of 90-day past-due loans) continued to rise, reaching the peak for the series at 5.6% for households, while reaching 1.8% for corporates. **Importantly, household debt-to-income reached a peak for the series, at 53.1% in July 2022; excluding real estate financing, household debt-to-income was at 33.6%. In addition, the debt service ratio reached a peak for the series 28.6% in July; excluding real estate financing, the debt service ratio was 26.6%. We see these figures as a risk for delinquencies as the economy recovers.**

**Figure 22. Loans Due – Households (% , s.a.)**



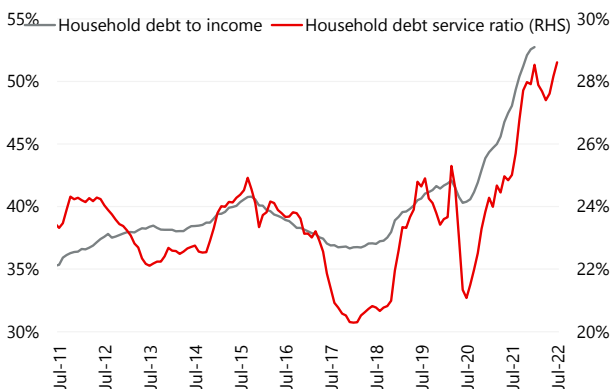
Sources: Brazilian Central Bank, Santander.

**Figure 23. Loans Due – Corporate (% , s.a.)**



Sources: Brazilian Central Bank, Santander.

**Figure 24. Household Debt-to-Income and Debt Service Ratio (%)**



Sources: Brazilian Central Bank, Santander.



Figure 25. Indicators

Outstanding inf. adj. (YoY)	Nonearmarked			Earmarked			Total		
	Jun-22	Jul-22	Aug-22	Jun-22	Jul-22	Aug-22	Jun-22	Jul-22	Aug-22
Households	11.6%	12.5%	13.2%	5.0%	6.6%	8.4%	8.6%	9.9%	11.0%
Non-financial corporations	5.6%	6.7%	7.4%	-7.4%	-7.9%	-5.8%	0.8%	1.3%	2.5%
<b>Total</b>	8.8%	9.9%	10.5%	0.3%	1.1%	3.0%	5.3%	6.2%	7.4%

New operations inf. adj. (MoM-sa)	Nonearmarked			Earmarked			Total		
	Jun-22	Jul-22	Aug-22	Jun-22	Jul-22	Aug-22	Jun-22	Jul-22	Aug-22
Households	-0.5%	1.6%	-0.4%	13.4%	15.7%	-14.0%	1.2%	3.8%	-2.3%
Non-financial corporations	0.2%	1.1%	2.8%	-6.9%	26.5%	14.6%	-2.9%	3.9%	2.7%
<b>Total</b>	-1.4%	3.1%	0.1%	5.6%	20.4%	-4.7%	-0.8%	3.8%	2.1%

Interest rate (% p.a.)	Nonearmarked			Earmarked			Total		
	Jun-22	Jul-22	Aug-22	Jun-22	Jul-22	Aug-22	Jun-22	Jul-22	Aug-22
Households	51.5%	53%	53.9%	10.3%	10.6%	10.6%	33.1%	34.2%	34.4%
Non-financial corporations	22.6%	23.4%	22.8%	11.5%	15.4%	9.1%	19.5%	21.2%	18.9%
<b>Total</b>	39.0%	40.4%	40.6%	10.6%	11.9%	10.2%	28.0%	29.4%	28.7%

Spreads (p.p)	Nonearmarked			Earmarked			Total		
	Jun-22	Jul-22	Aug-22	Jun-22	Jul-22	Aug-22	Jun-22	Jul-22	Aug-22
Households	38.8	40.2	41.5	3.6	3.4	3.6	23.0	23.7	24.4
Non-financial corporations	10.5	10.9	10.7	3.1	6.5	3.7	8.5	9.7	8.7
<b>Total</b>	26.5	27.5	28.2	3.5	4.2	3.6	17.6	18.5	18.6

Past Due Loans (%)	Nonearmarked			Earmarked			Total		
	Jun-22	Jul-22	Aug-22	Jun-22	Jul-22	Aug-22	Jun-22	Jul-22	Aug-22
Households	5.24	5.47	5.62	1.27	1.29	1.29	3.52	3.65	3.72
Non-financial corporations	1.66	1.76	1.81	1.01	1.05	0.96	1.44	1.51	1.52
<b>Total</b>	3.63	3.81	3.93	1.18	1.21	1.17	2.66	2.78	2.83

	Jun-22	Jul-22	Aug-22
<b>Total Outstanding / GDP</b>	54.3%	54.0%	54.3%
<b>Total Outstanding under public control</b>	42.4%	42.6%	42.6%
<b>Total Outstanding under private control</b>	57.6%	57.4%	57.4%

Sources: Brazilian Central Bank, Santander.





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