

Fabiana Moreira*

fabiana.de.oliveira@santander.com.br
55113553-6120

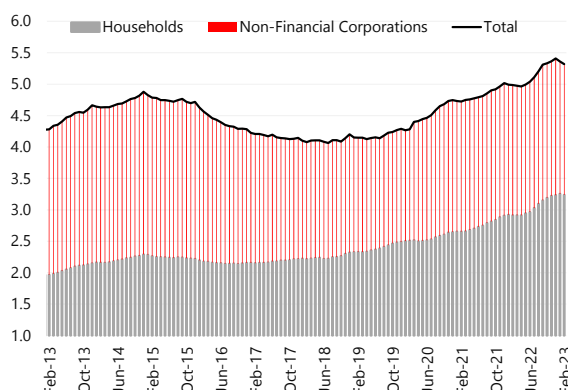
February Data Shows Credit Decelerating

- Total outstanding loans in the National Financial System (SFN) in February posted inflation-adjusted growth of 6.7% YoY, to R\$5.3 trillion, reflecting the slowdown in the activity and more restrictive financial conditions. Loans to households remained at a high level, leading overall loans, but decelerated at the margin, at 11.2% YoY; for non-financial corporations, loans rose 0.3% YoY.
- In the non-earmarked segment, household credit portfolios decelerated at the margin, at 10.8% YoY. The non-earmarked new loans to household showed a tepid increase of 0.4% MoM. We highlight the decrease in total personal credit (-8.4% MoM-sa) and in credit cards (-7.5% MoM-sa), after both categories showed a positive variation in January.
- In the earmarked segment, loans to households presented a tepid rise at the margin in February's growth rate, at 11.7% YoY. In the earmarked segment, loans to households decreased 2.4% MoM-sa in February. We highlight real estate financing fell (-10.7% MoM-sa) and rural credit showed a tepid variation of -1.28% MoM-sa, after both categories showed a positive variation in January.
- Finally, household debt-to-income continued to decelerate at the margin, reaching 49.0% in December 2022, still a high level; but a drop of 0.7 p.p from December 2021. The debt service ratio reached 27.3% in December; excluding real estate financing, the debt service ratio was 25.3%.

Outstanding Loans

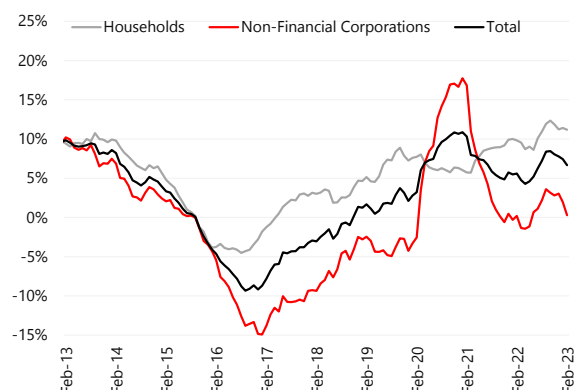
Total outstanding loans in the National Financial System (SFN) posted inflation-adjusted growth of 6.7% YoY for February (- 0.8 p.p vs. January 2023), to R\$5.3 trillion, reflecting the slowdown in the activity and more restrictive financial conditions. Loans to households remained at a high level, leading overall loans, but decelerated at the margin, at 11.2% YoY, - 0.3 p.p. from the growth registered in January 2023; for non-financial corporations, loans rose 0.3% YoY, - 1.7 p.p. from the growth registered in January 2023. Also, **credit-to-GDP reached 52.8%**, - 0.3 p.p from January 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.



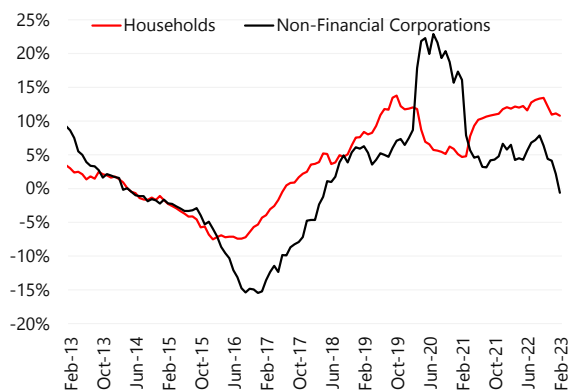
In the non-earmarked segment, household credit portfolios decelerated at the margin, at 10.8% YoY, -0.3 p.p from January 2023. **Total personal real credit grew 9.87% YoY, and credit cards fell slightly at the margin, up 17.30% YoY, inflation adjusted, -2.2 p.p from January 2023, in line with the accommodation of consumption after the year-end events and the highly adverse economic conditions.**

For corporations, in the non-earmarked segment, the real growth in the balance loans continued to decelerate, with continuous lower numbers since October 2022. For February, the real growth rate was - 0.6% YoY, a 2.8 p.p. drop from January 2023, with **total working capital presenting a negative variation of - 3.0% YoY (inflation adjusted), the lowest number since April 2022, and Discount of trade bills falling -4.5% YoY (inflation adjusted), the first negative variation since September 2020.**

On the other hand, in the earmarked segment, loans to households presented a tepid rise at the margin in February's growth rate, at 11.7% YoY, + 0.1 p.p from January 2023. **Real estate financing maintained the same growth rate since December 2022, at 7.8% YoY, inflation adjusted. Rural credit grew 23% YoY, adjusted for inflation.**

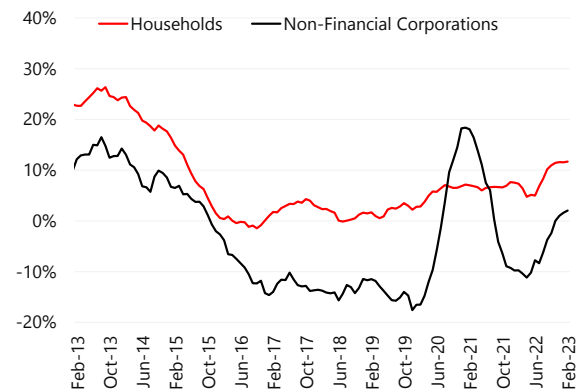
For the corporations, in the earmarked segment, balance loans posted growth of 2.0 % YoY (adjusted for inflation), + 0.4 p.p from January 2023, in line with the reissue of public programs and signs of greater dynamism of lines with BNDES resources.

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



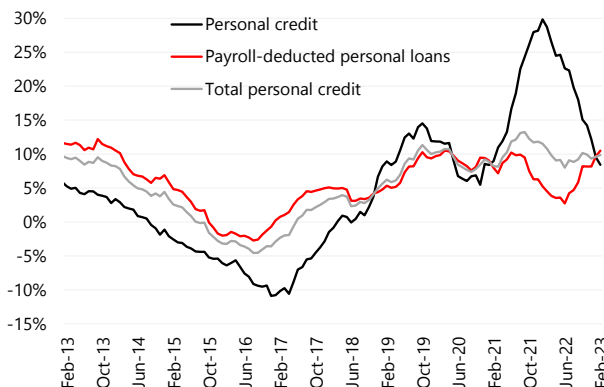
Sources: Brazilian Central Bank, Santander.

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



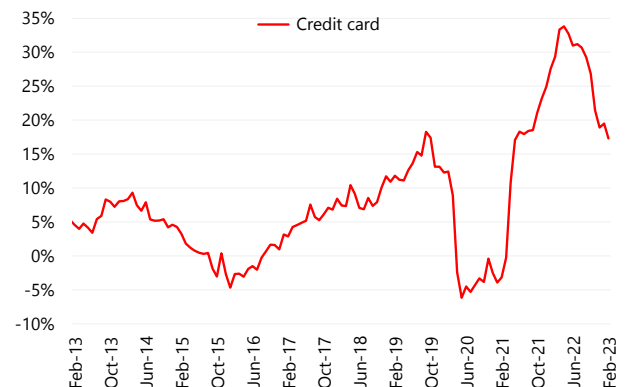
Sources: Brazilian Central Bank, Santander.

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



Sources: Brazilian Central Bank, Santander.

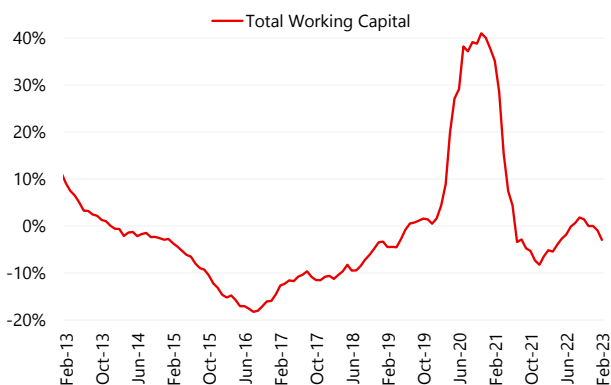
Figure 6. Outstanding Balance Households – Credit Card – Non-Earmarked (inflation adjusted) (% YoY)



Sources: Brazilian Central Bank, Santander.

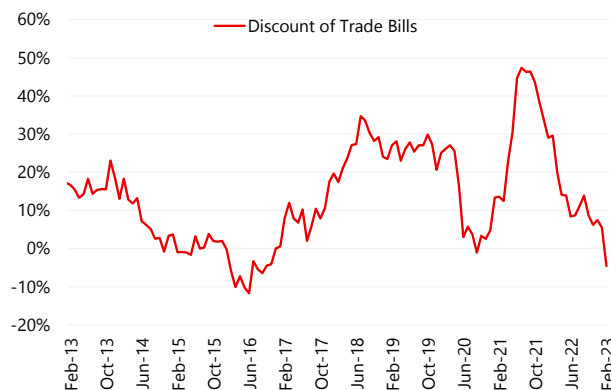


Figure 7. Outstanding Balance Corporates – Working Capital – Non-Earmarked (inflation adj.) (% YoY)



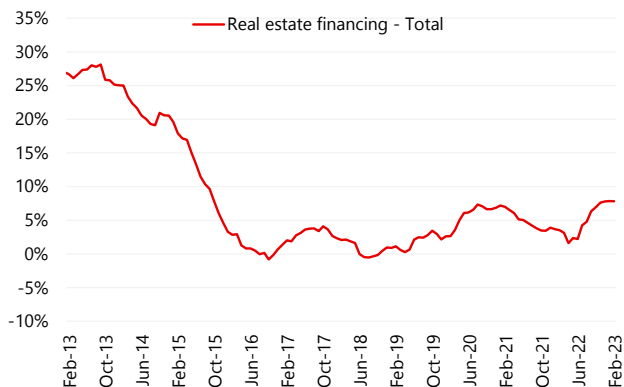
Sources: Brazilian Central Bank, Santander.

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



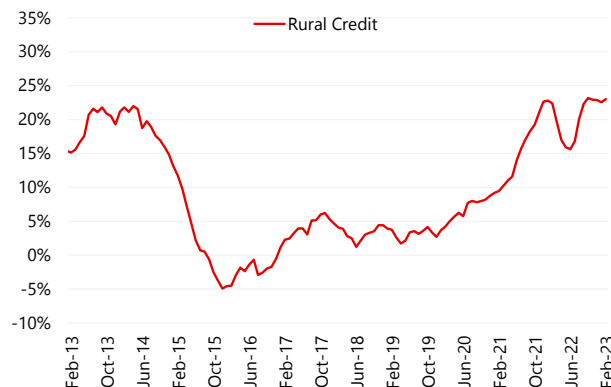
Sources: Brazilian Central Bank, Santander.

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



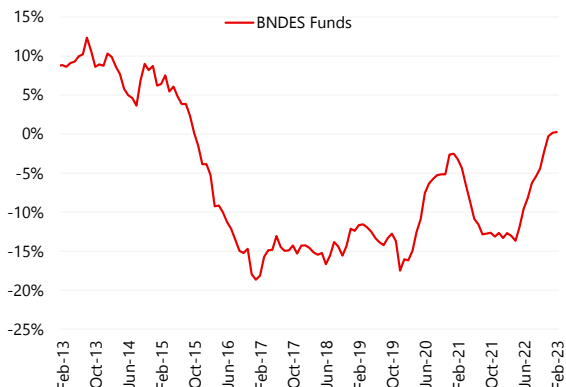
Sources: Brazilian Central Bank, Santander.

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.

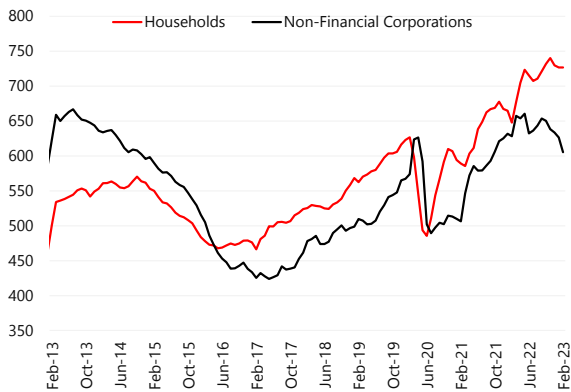


New Loans

New loans adjusted for inflation and seasonality (Brazil Central Bank methodology) fell 3.4% in February. For households, the **non-earmarked segment showed a tepid increase of 0.4% MoM, after January rise of 5.1% MoM-sa**. We highlight the decrease in total personal credit (-8.4% MoM-sa) and in credit cards (-7.5% MoM-sa), after both categories showed a positive variation in January, as 23.4% MoM-sa and 5.1% MoM-sa, respectively.

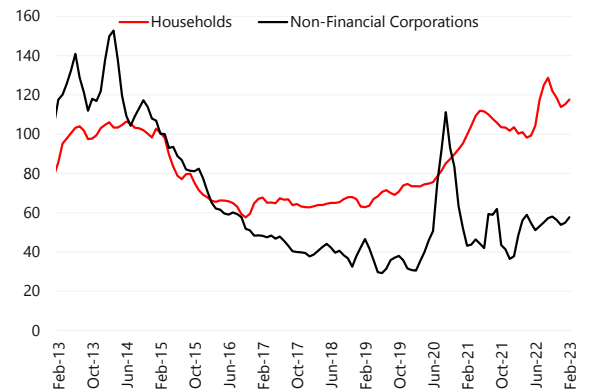
In the **earmarked segment, loans to households decreased 2.4% MoM-sa in February**. We highlight real estate financing fell (-10.7% MoM-sa), after January strong rise of 14.4% MoM-sa. rural credit showed a tepid variation of -1.28% MoM-sa, after January's strong rise of 11.4% MoM-sa.

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



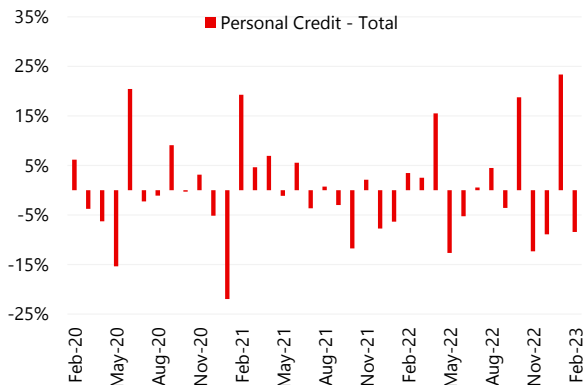
Sources: Brazilian Central Bank, Santander.

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



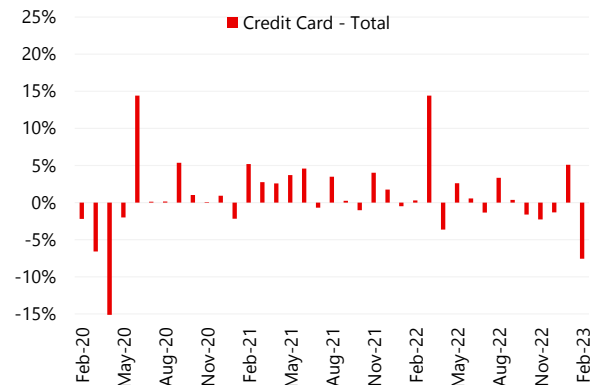
Sources: Brazilian Central Bank, Santander.

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



Sources: Brazilian Central Bank, Santander.

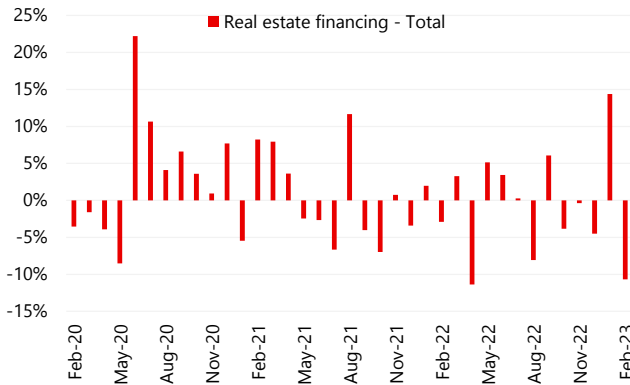
Figure 15. New Operations – Non-Earmarked – Credit Card Total (% MoM)



Sources: Brazilian Central Bank, Santander.

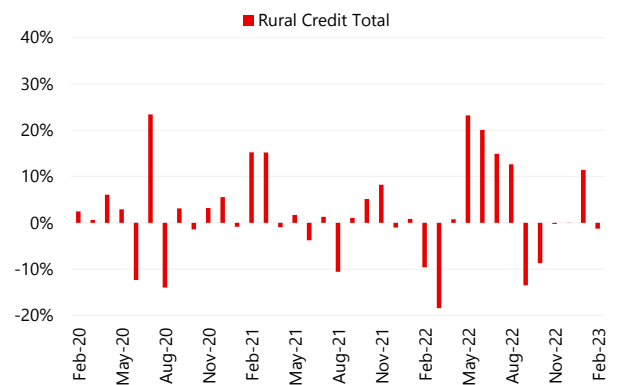


Figure 16. New Operations – Earmarked – Real estate financing Total (% MoM)



Sources: Brazilian Central Bank, Santander.

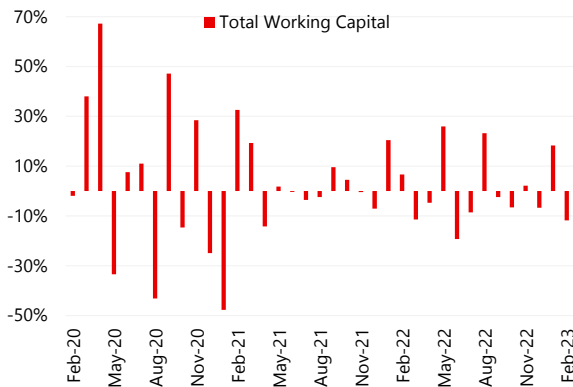
Figure 17. New Operations – Earmarked – Rural credit Total (% MoM)



Sources: Brazilian Central Bank, Santander.

For companies, there **was a decrease of 8.7% MoM-sa in February in the non-earmarked segment**, with total working capital showing a negative variation (-11.8% MoM-sa), after rise (18.3% MoM-sa), in January 2023. **The earmarked segment posted a tepid increase of 0.8% MoM-sa.**

Figure 18. New Operations – Non-Earmarked – Working Capital (% MoM)



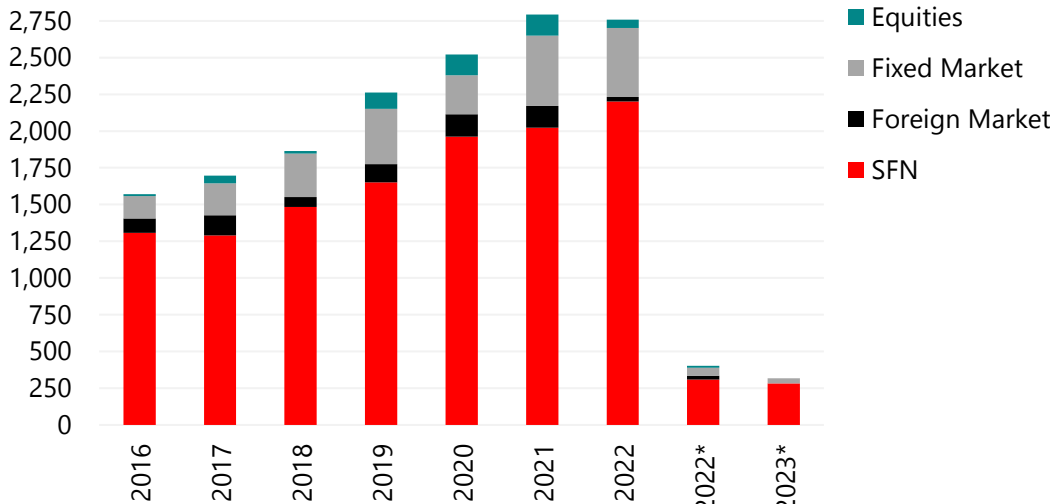
Sources: Brazilian Central Bank, Santander.



Total Credit

Considering total corporate financing YTD through February 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 62.2% smaller, with SFN concessions also down 9%. **As a result, total corporate financing was 21.2% lower than 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.

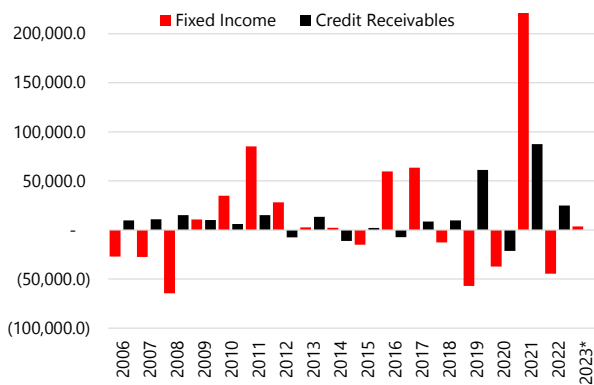
Fixed Income - Debentures, commercial papers, LFs, CRAs, CRIs and FIDCs.

Equity - IPO and follow-on.

*January~February

Sources: Brazilian Central Bank, Anbima, Santander.

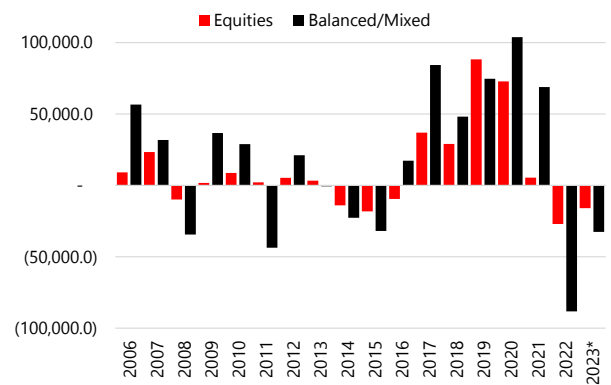
Figure 20. Net Inflows (BRL millions) – Fixed Income and Credit Receivables



Sources: Anbima, Santander.

* January -February

Figure 21. Net Inflows (BRL millions) – Equities and Balanced/Mixed Funds



Sources: Anbima, Santander.

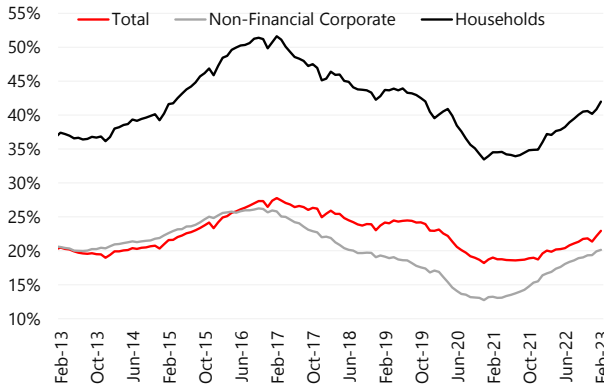
* January -February



Credit Conditions

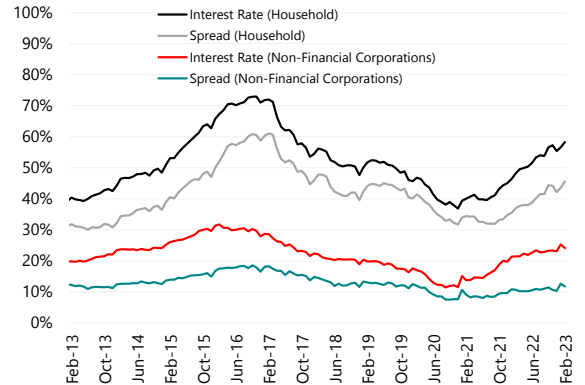
Lastly, the Credit Cost Indicator (ICC) for non-earmarked loans to households continued to rise, reaching 42% p.a. in February, + 1.1 p.p. from January 2023, with the indicator for corporations rising as well, to 20.1% p.a., + 0.2 p.p. from January 2023. The average interest rate for non-earmarked new loans was 58.3% p.a. for households, +1.7 p.p. from January 2023, and 24.2% p.a. for corporations, - 1.1 p.p. from January 2023. The spread on non-earmarked new loans was 45.6% for households (+ 2.1 p.p. from January 2023) and 11.7% for corporations (- 0.9 p.p. from January 2023).

Figure 22. Credit Cost Indicator (ICC) – Non-Earmarked (% p.a.)



Sources: Brazilian Central Bank, Santander.

Figure 23. Average Interest Rate and Spread – Non-Earmarked (% p.a.)



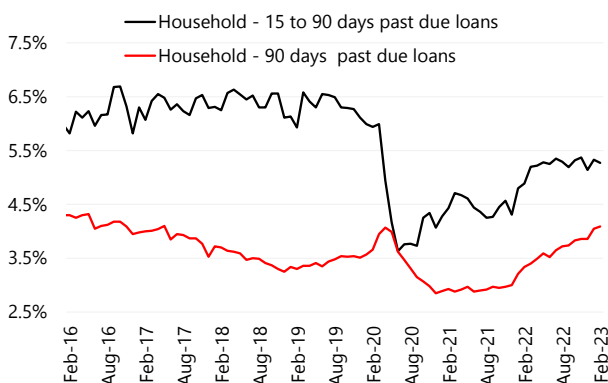
Sources: Brazilian Central Bank, Santander.

Household Debt

Still regarding non-earmarked loans, in February, the seasonally adjusted default rate (% of 90-day past-due loans) kept the same level, reaching 6.1% for households (the last time the default rate was higher than 6 was in January 2017) and for corporates showed growth, reaching 2.4%.

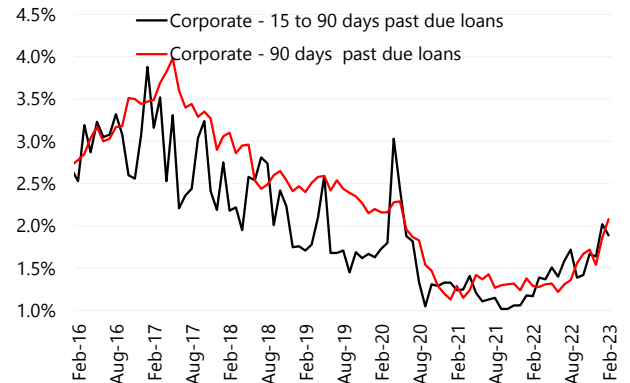
Importantly, household debt-to-income continued to decelerate at the margin, reaching 49.0% in December 2022, still a high level; but a drop of 0.7 p.p from December 2021. Excluding real estate financing, household debt-to-income was 31.0%, - 0.2 p.p from the year ago period. In addition, the debt service ratio reached 27.3% in December; excluding real estate financing, the debt service ratio was 25.3%.

Figure 24. Loans Due – Households (% , s.a.)



Sources: Brazilian Central Bank, Santander.

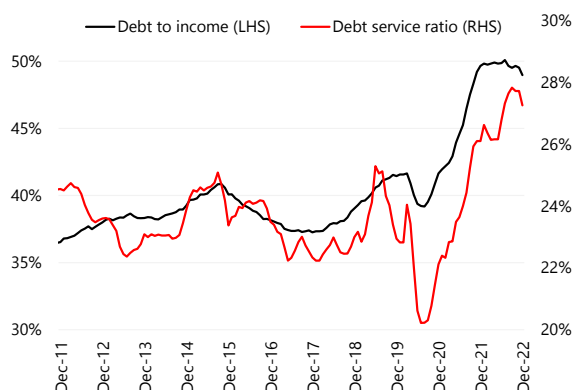
Figure 25. Loans Due – Corporate (% , s.a.)



Sources: Brazilian Central Bank, Santander.



Figure 26. Household Debt-to-Income and Debt Service Ratio (%)



Sources: Brazilian Central Bank, Santander.

For details on Santander's credit outlook, please refer to our most recent chartbook¹.

Figure 27. Indicators

Outstanding inf. adj. (YoY)	Nonearmarked			Earmarked			Total		
	Dec-22	Jan-23	Feb-23	Dec-22	Jan-23	Feb-23	Dec-22	Jan-23	Feb-23
Households	11.0%	11.1%	10.8%	11.6%	11.6%	11.7%	11.2%	11.4%	11.2%
Non-financial corporations	4.1%	2.2%	-0.6%	1.0%	1.6%	2.0%	3.0%	2.0%	0.3%
Total	7.8%	7.1%	5.6%	7.7%	8.0%	8.2%	7.8%	7.4%	6.7%

New operations inf. adj. (MoM-sa)	Nonearmarked			Earmarked			Total		
	Dec-22	Jan-23	Feb-23	Dec-22	Jan-23	Feb-23	Dec-22	Jan-23	Feb-23
Households	-5.3%	5.1%	0.4%	-0.5%	9.9%	-2.4%	-3.8%	6.7%	-0.2%
Non-financial corporations	4.7%	-6.1%	-8.7%	-9.9%	27.1%	0.8%	-1.8%	0.7%	-6.7%
Total	-0.3%	2.3%	-3.2%	-4.2%	14.3%	-4.9%	-3.9%	5.0%	-3.4%

Interest rate (% p.a.)	Nonearmarked			Earmarked			Total		
	Dec-22	Jan-23	Feb-23	Dec-22	Jan-23	Feb-23	Dec-22	Jan-23	Feb-23
Households	55.4%	57%	58.3%	11.4%	11.4%	10.3%	35.4%	36.0%	36.4%
Non-financial corporations	23.1%	25.3%	24.2%	12.0%	13.5%	13.2%	20.2%	22.2%	21.2%
Total	41.7%	43.5%	44.2%	11.6%	11.9%	11.0%	30.1%	31.2%	31.2%

Spreads (p.p)	Nonearmarked			Earmarked			Total		
	Dec-22	Jan-23	Feb-23	Dec-22	Jan-23	Feb-23	Dec-22	Jan-23	Feb-23
Households	42.2	43.5	45.6	4.5	4.7	4.5	25.0	25.8	26.8
Non-financial corporations	10.3	12.6	11.7	3.6	4.2	3.8	8.6	10.4	9.6
Total	28.7	30.6	31.7	4.3	4.6	4.4	19.3	20.5	21.0

Past Due Loans (%)	Nonearmarked			Earmarked			Total		
	Dec-22	Jan-23	Feb-23	Dec-22	Jan-23	Feb-23	Dec-22	Jan-23	Feb-23
Households	5.88	6.11	6.11	1.33	1.46	1.55	3.86	4.05	4.09
Non-financial corporations	2.07	2.30	2.36	1.01	1.07	1.57	1.54	1.86	2.08
Total	4.20	4.47	4.51	1.22	1.32	1.56	3.00	3.19	3.30

	Dec-22	Jan-23	Feb-23
Total Outstanding / GDP	53.8%	53.1%	52.8%
Total Outstanding under public control	42.5%	42.8%	43.0%
Total Outstanding under private control	57.5%	57.2%	57.0%

Sources: Brazilian Central Bank, Santander.

¹ Santander Brazil Credit - Chartbook "An Expected Slowing Down in Credit" – March 28, 2023 – Available on: <https://bit.ly/Std-chart-credit-mar23>



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
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
Rodrigo Park *	Economist – Argentina	rpark@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
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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