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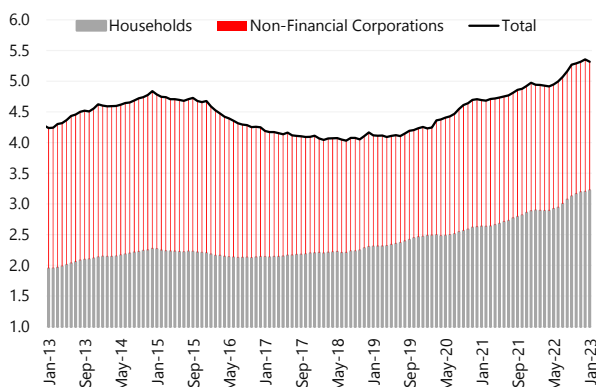
January Data Shows Strong Start for Credit

- Total outstanding loans in the National Financial System (SFN) in January posted inflation-adjusted growth of 7.6% YoY, to R\$5.3 trillion. Loans to households continued to accelerate, leading overall loans up 11.3% YoY; for non-financial corporations, loans rose 2% YoY.
- In the non-earmarked segment, household credit portfolios maintained January's growth rate, at 11.1% YoY. Total personal real credit grew 9.62% YoY, and credit cards rose slightly at the margin, up 19.51% YoY, inflation adjusted, after decelerating since April 2022.
- In the earmarked segment, loans to households also maintained January's growth rate, at 11.6% YoY, with real estate financing growing 7.8% YoY, inflation adjusted. Rural credit grew 22.5% YoY, inflation adjusted.
- Finally, household debt-to-income reached 49.5% in November 2022, still a high level. In addition, the debt service ratio reached a peak for the series, at 28.2% in November. We see these figures as a risk for delinquencies as the economy recovers.

Outstanding Loans

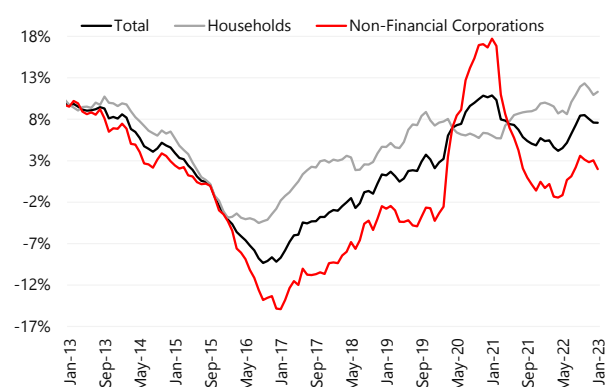
Total outstanding loans in the National Financial System (SFN) in January posted inflation-adjusted growth of 7.6% YoY (same level than December 2022), to R\$5.3 trillion. Loans to households continued to accelerate, leading overall loans up 11.3% YoY, + 0.3 p.p. from the growth registered in December 2022; for non-financial corporations, loans rose 2% YoY, - 1 p.p. from the growth registered in December 2022. Also, **credit-to-GDP reached 53.6%**, - 0.6 p.p from December 2022.

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.



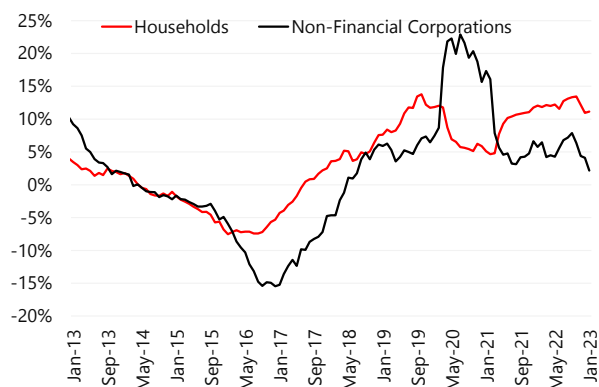
In the non-earmarked segment, household credit portfolios maintained January’s growth rate, at 11.1% YoY. **Total personal real credit grew 9.62% YoY, and credit cards rose slightly at the margin, up 19.51% YoY, inflation adjusted, after decelerating since April 2022.**

For corporations, in the non-earmarked segment, real growth in the balance loans was 2.2% YoY, a 1.9 p.p. drop from December 2022, with **total working capital presenting a tepid negative variation of -0.9% YoY (inflation adjusted), and Others rising 12.7% YoY (inflation adjusted).**

In the earmarked segment, loans to households also maintained January’s growth rate, at 11.6% YoY, with **real estate financing growing 7.8% YoY, inflation adjusted. Rural credit grew 22.5% YoY, inflation adjusted,** in this line, the amount allocated to rural credit reached R\$ 222.8 billion in the Crop Plan 2022-23, in the July 2022 to January 2023 period.

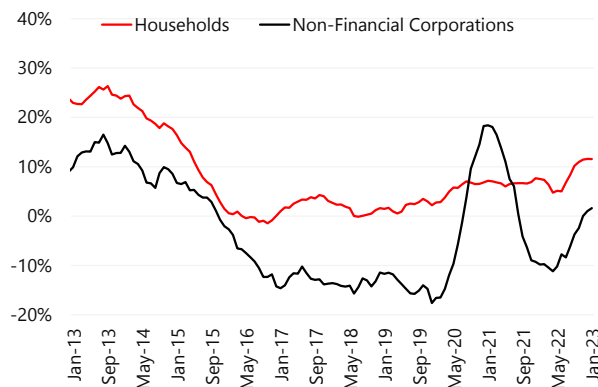
For the corporations, in the earmarked segment, balance loans posted growth of 1.6 % YoY (inflation adjusted).

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



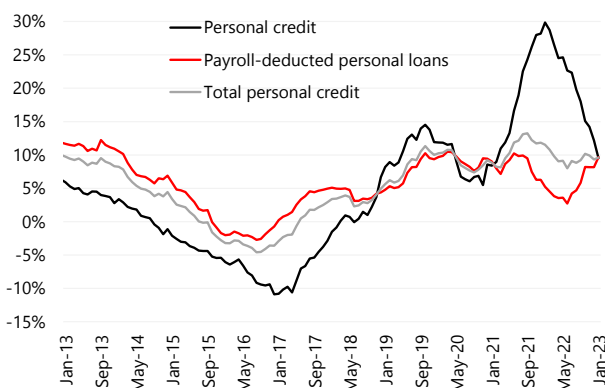
Sources: Brazilian Central Bank, Santander.

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



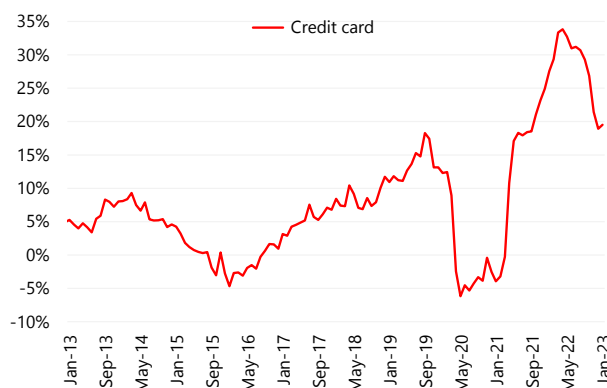
Sources: Brazilian Central Bank, Santander.

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



Sources: Brazilian Central Bank, Santander.

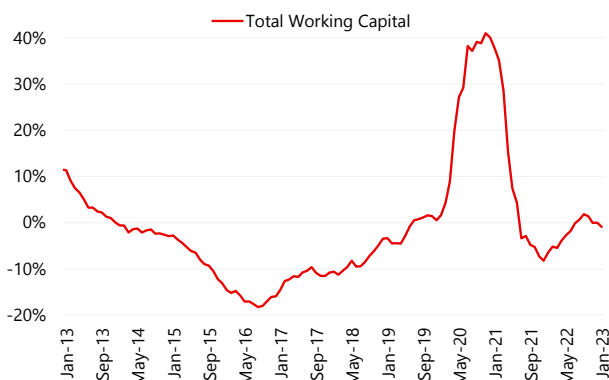
Figure 6. Outstanding Balance Households – Credit Card – Non-Earmarked (inflation adjusted) (% YoY)



Sources: Brazilian Central Bank, Santander.

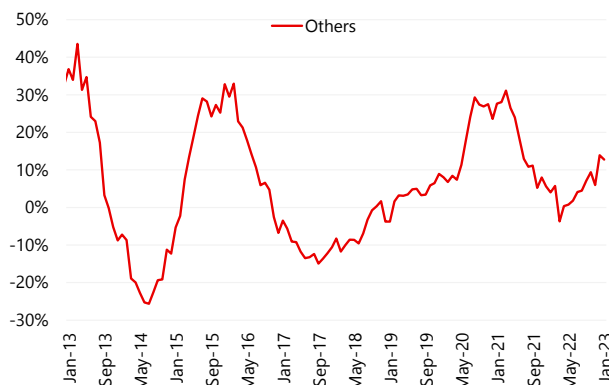


Figure 7. Outstanding Balance Corporates – Working Capital – Non-Earmarked (inflation adj.) (% YoY)



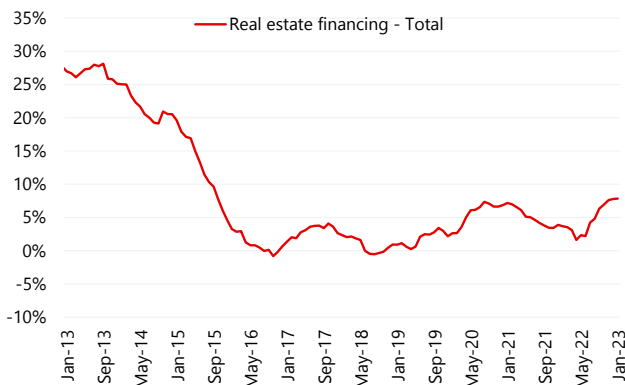
Sources: Brazilian Central Bank, Santander.

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



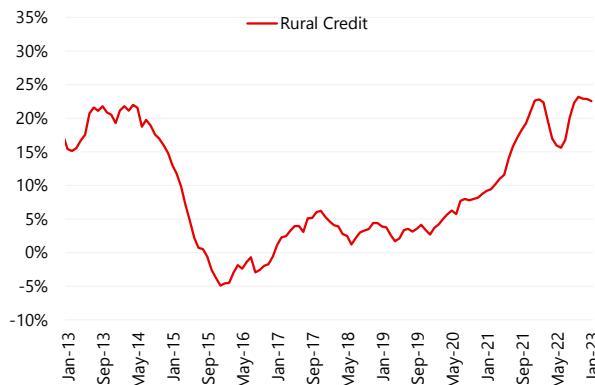
Sources: Brazilian Central Bank, Santander.

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



Sources: Brazilian Central Bank, Santander.

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



Sources: Brazilian Central Bank, Santander.

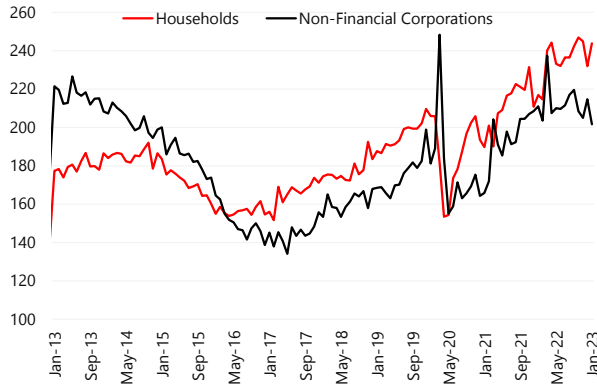


New Loans

New loans adjusted for inflation and seasonality (Brazil Central Bank methodology) rose 5.0% in January. For households, the **non-earmarked segment also increased 5.1% MoM-sa**. We highlight the strong increase in total personal credit (23% MoM-sa) and in credit cards (5.1% MoM-sa), after a slight drop (- 1.3% MoM-sa) in December 2022.

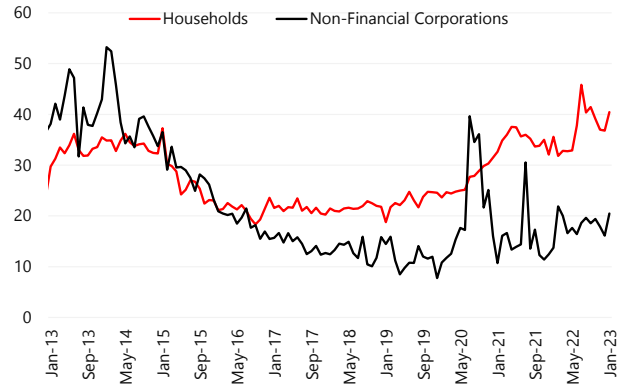
In the **earmarked segment, loans to households increased 9.9% MoM-sa**. We highlight real estate financing rose (12.4% MoM-sa). Rural credit showed a variation of 15.8% MoM-sa.

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



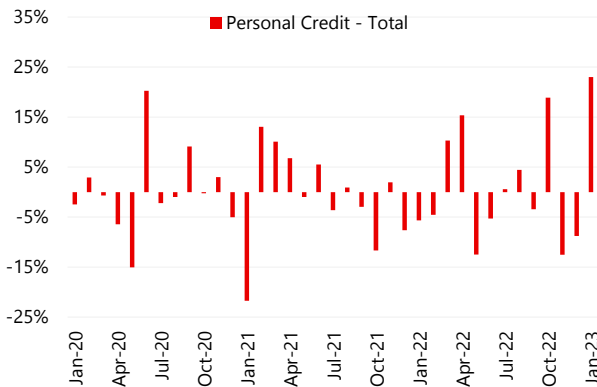
Sources: Brazilian Central Bank, Santander.

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



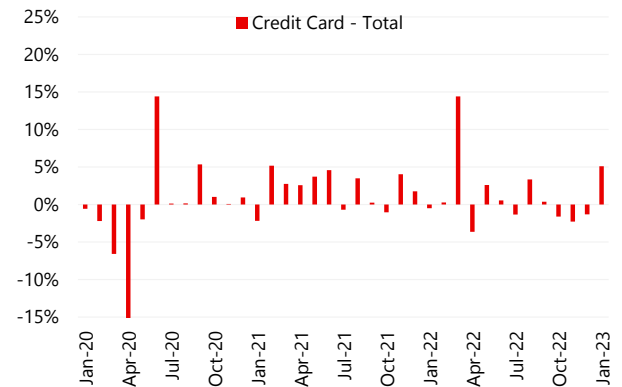
Sources: Brazilian Central Bank, Santander.

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



Sources: Brazilian Central Bank, Santander.

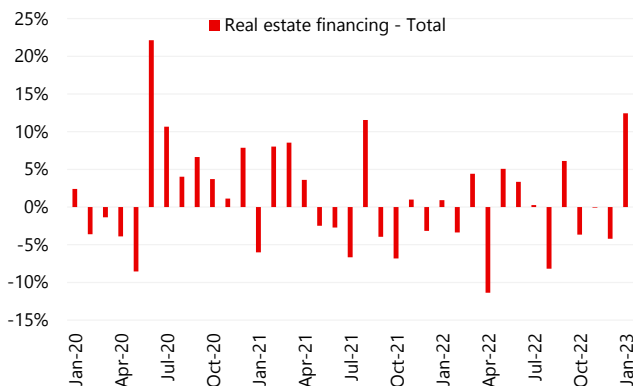
Figure 14. New Operations – Non-Earmarked – Credit Card Total (% MoM)



Sources: Brazilian Central Bank, Santander.

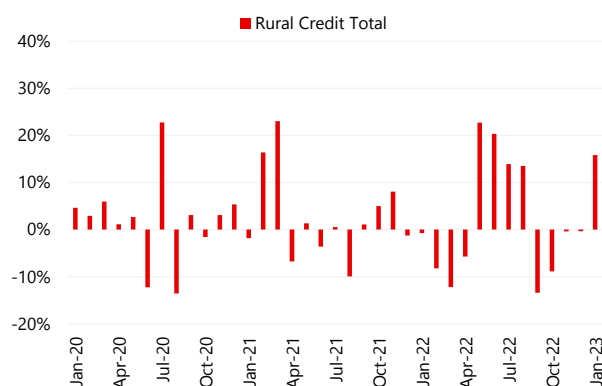


Figure 15. New Operations – Earmarked – Real estate financing Total (% MoM)



Sources: Brazilian Central Bank, Santander.

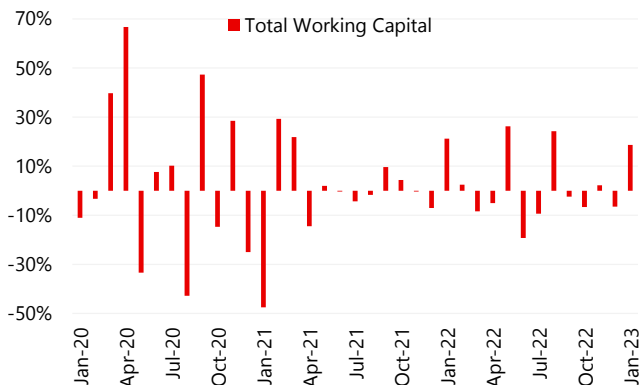
Figure 16. New Operations – Earmarked – Rural credit Total (% MoM)



Sources: Brazilian Central Bank, Santander.

For companies, there **was a decrease of 6.1% MoM-sa in January in the non-earmarked segment**, with total working capital showing a strong positive variation (18.7% MoM-sa), after drop (- 6.5% MoM-sa) in December 2022. **The earmarked segment posted a strong increase of 27% MoM-sa.**

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



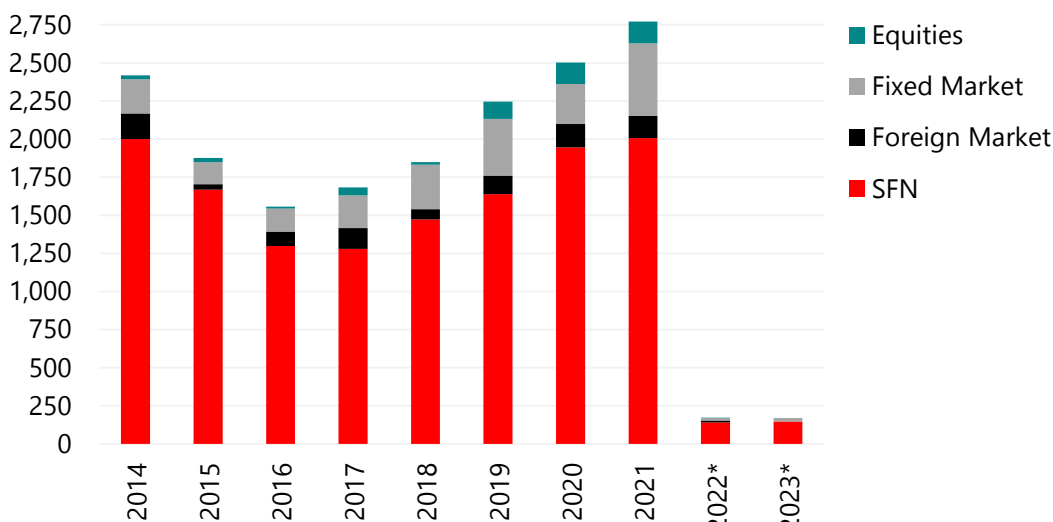
Sources: Brazilian Central Bank, Santander.



Total Credit

Considering total corporate financing YTD through January 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 22.7% smaller, while SFN concessions were up 4.8%. **As a result, total corporate financing was at the same level as in the year-ago period.**

Figure 18. 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.

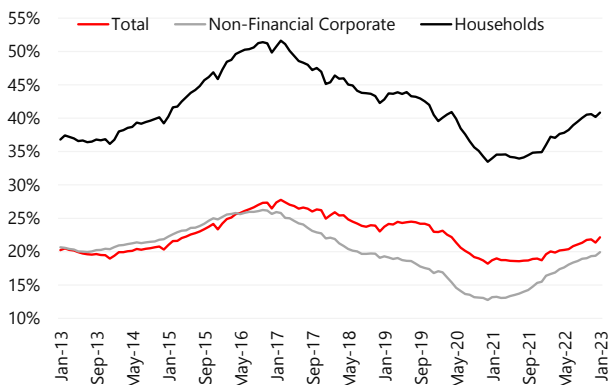
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Sources: Brazilian Central Bank, Anbima, Santander.

Credit Conditions

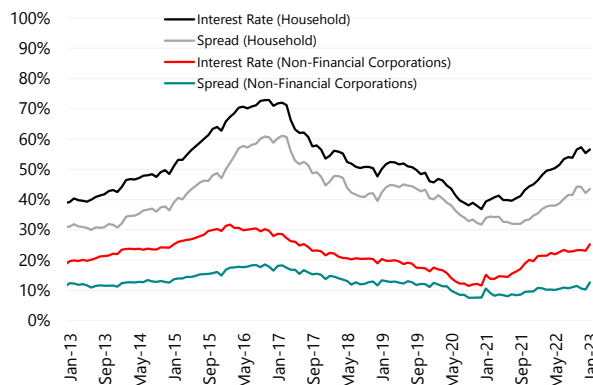
Lastly, the Credit Cost Indicator (ICC) for non-earmarked loans to households continued to rise, reaching 40.8% p.a. in January, + 0.6 p.p. from December 2022, with the indicator for corporations rising as well, to 19.9% p.a., +0.5 p.p. from December 2022. The average interest rate for non-earmarked new loans was 56.6% p.a. for households, +1.2 p.p. from December 2022, and 25.3% p.a. for corporations, +2.2 p.p. from December 2022. The spread on non-earmarked new loans was 43.5% for households (+1.4 p.p. from December 2022) and 12.6% for corporations (+2.3 p.p. from December 2022).

Figure 19. Credit Cost Indicator (ICC) – Non-Earmarked (% p.a.)



Sources: Brazilian Central Bank, Santander.

Figure 20. Average Interest Rate and Spread – Non-Earmarked (% p.a.)



Sources: Brazilian Central Bank, Santander.

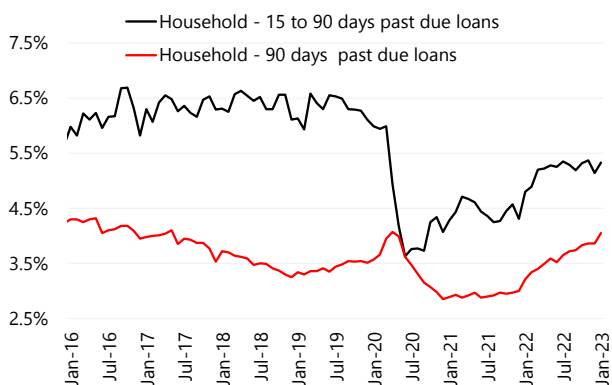


Household Debt

Still regarding non-earmarked loans, in January, the seasonally adjusted default rate (% of 90-day past-due loans) showed growth, reaching 6.1% for households (the last time the default rate was higher than 6 was in January 2017) and 2.3% for corporates.

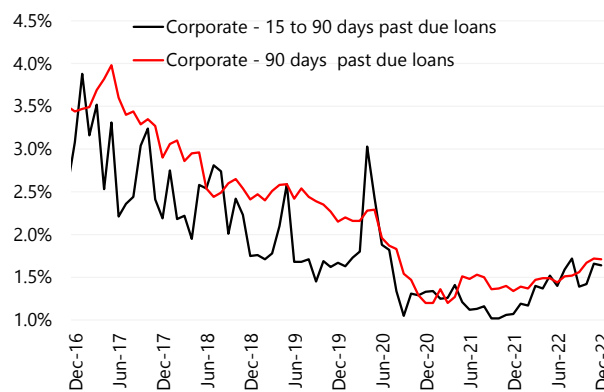
Importantly, the data about household debt-to-income and the debt service ratio was not updated this month, the data available is still refers to November 2022. So, household debt-to-income reached 49.5% in November 2022, still a high level; excluding real estate financing, household debt-to-income was 31.4%. In addition, the debt service ratio reached a peak for the series of 28.2% in November; excluding real estate financing, the debt service ratio was 26.1%. We see these figures as a risk for delinquencies as the economy recovers.

Figure 21. Loans Due – Households (% , s.a.)



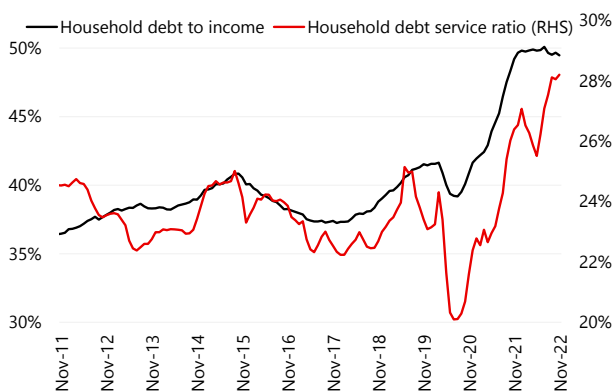
Sources: Brazilian Central Bank, Santander.

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



Sources: Brazilian Central Bank, Santander.

Figure 23. Household Debt-to-Income and Debt Service Ratio (%)



Sources: Brazilian Central Bank, Santander.



Figure 24. Indicators

Outstanding inf. adj. (YoY)	Nonearmarked			Earmarked			Total		
	Nov-22	Dec-22	Jan-23	Nov-22	Dec-22	Jan-23	Nov-22	Dec-22	Jan-23
Households	12.2%	11.0%	11.1%	11.4%	11.6%	11.6%	11.9%	11.2%	11.3%
Non-financial corporations	4.4%	4.1%	2.2%	0.0%	1.0%	1.6%	4.0%	2.8%	3.2%
Total	8.6%	7.8%	7.1%	7.2%	7.7%	8.0%	8.1%	7.8%	7.4%

New operations inf. adj. (MoM-sa)	Nonearmarked			Earmarked			Total		
	Nov-22	Dec-22	Jan-23	Nov-22	Dec-22	Jan-23	Nov-22	Dec-22	Jan-23
Households	-0.8%	-5.3%	5.1%	-5.4%	-0.5%	9.9%	-3.1%	-3.8%	6.7%
Non-financial corporations	-1.7%	4.7%	-6.1%	-7.9%	-9.9%	27.1%	-2.3%	-1.8%	0.7%
Total	-2.1%	-0.3%	2.3%	-8.0%	-4.2%	14.3%	-4.2%	-3.9%	5.0%

Interest rate (% p.a.)	Nonearmarked			Earmarked			Total		
	Nov-22	Dec-22	Jan-23	Nov-22	Dec-22	Jan-23	Nov-22	Dec-22	Jan-23
Households	57.3%	55%	56.6%	11.2%	11.4%	11.4%	36.7%	35.4%	36.0%
Non-financial corporations	23.3%	23.1%	25.3%	12.0%	12.0%	13.5%	20.4%	20.2%	22.2%
Total	43.1%	41.7%	43.5%	11.4%	11.6%	11.9%	31.1%	30.1%	31.2%

Spreads (p.p)	Nonearmarked			Earmarked			Total		
	Nov-22	Dec-22	Jan-23	Nov-22	Dec-22	Jan-23	Nov-22	Dec-22	Jan-23
Households	44.2	42.2	43.5	4.5	4.5	4.7	26.5	25.0	25.8
Non-financial corporations	10.7	10.3	12.6	3.4	3.6	4.2	8.8	8.6	10.4
Total	30.2	28.7	30.6	4.3	4.3	4.6	20.4	19.3	20.5

Past Due Loans (%)	Nonearmarked			Earmarked			Total		
	Nov-22	Dec-22	Jan-23	Nov-22	Dec-22	Jan-23	Nov-22	Dec-22	Jan-23
Households	5.81	5.88	6.11	1.37	1.33	1.46	3.86	3.86	4.05
Non-financial corporations	2.10	2.07	2.30	1.01	1.01	1.07	1.50	1.54	1.63
Total	4.20	4.20	4.47	1.25	1.22	1.32	3.01	3.00	3.19

	Nov-22	Dec-22	Jan-23
Total Outstanding / GDP	53.8%	54.2%	53.6%
Total Outstanding under public control	42.6%	42.5%	42.8%
Total Outstanding under private control	57.4%	57.5%	57.2%

Sources: Brazilian Central Bank, Santander.



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