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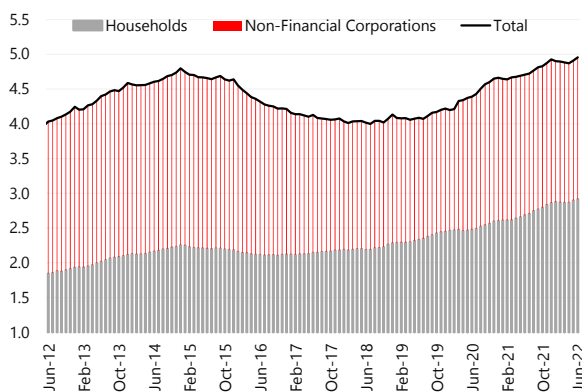
June Credit Data: Mixed Sentiments

- Today, the Brazil Central Bank (BCB) released June credit data, which showed overall real growth in credit to households and companies at 5.3% YoY.
- For new loans to households, the non-earmarked segment posted a decrease of 0.2% MoM-sa. We highlight the fall in total personal credit (-4.2% MoM-sa) and credit cards' slight rise (0.7% MoM-sa).
- For companies, there was a small increase of 0.2% MoM-sa in June in the non-earmarked segment, with total working capital showing a negative variation (-20.8% MoM-sa), after the rise of 26.1% MoM-sa in May.
- Finally, debt-to-income and debt-service ratios for May continued to rise (52.8% and 27.6%, respectively), which we see as a risk for delinquencies as the economy recovers.

Outstanding Loans

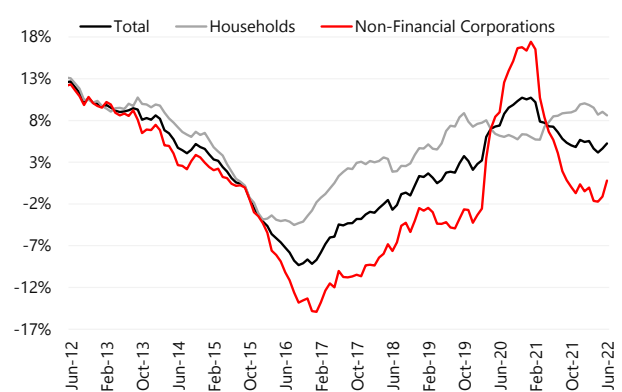
Total outstanding loans in the National Financial System (SFN) in June posted inflation-adjusted growth of 5.26% YoY, to BRL4.9 trillion. Once again, households led loans, rising 8.61% YoY, still driven by the full reopening of activities and labor market recovery; for non-financial corporations, loans rose 0.81% 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 June, in the non-earmarked segment, household credit portfolios delivered real growth of 12.1% YoY, with **personal credit real growing 8.25% YoY, (the smallest number since March 2021) and credit cards continued to accelerate, up 30.5% YoY, inflation adjusted.** For corporations, real growth in the balance of non-earmarked loans was 5.8% YoY, with **total working capital presenting a negative variation for the twelfth time in a row, -1.9% YoY (inflation adjusted) and others rising 5.3% YoY (inflation adjusted).**

In the earmarked segment, households grew 4.4% YoY (the smallest number since March 2020), with **real estate financing also showing tepid growth of 2.2% YoY, inflation adjusted, lower than the year-ago figure**

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

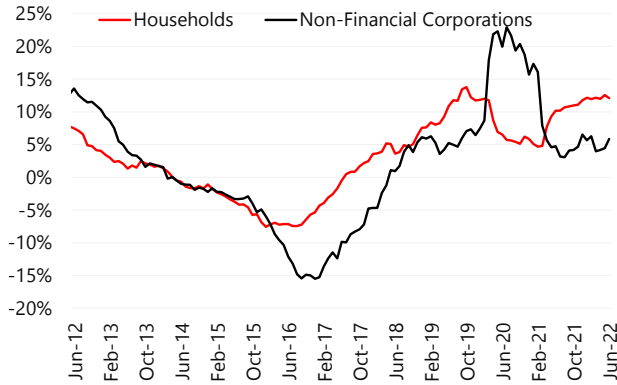
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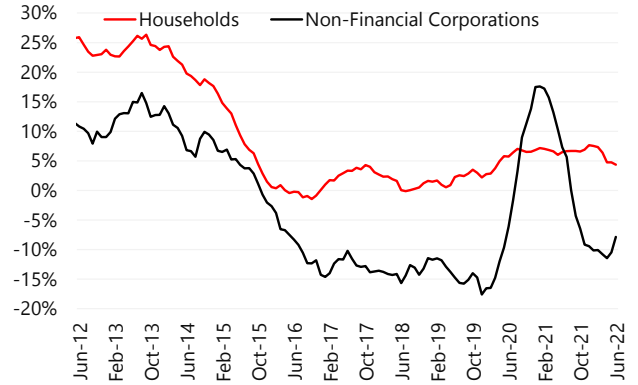
(5.0% YoY, inflation adjusted). **Rural credit grew 12.9% YoY, inflation adjusted.** Corporations posted the tenth decrease in a row, -7.9% YoY (inflation adjusted), with **total rural credit growing a robust 27% YoY (inflation adjusted)**, thanks to the beginning of 2022-2023 Crop Plan.

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



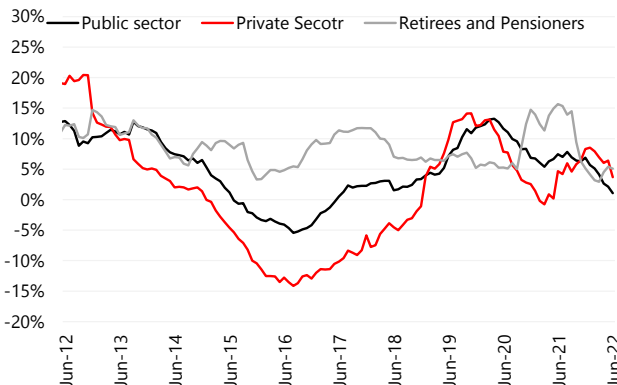
Sources: Brazilian Central Bank, Santander.

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



Sources: Brazilian Central Bank, Santander.

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



Sources: Brazilian Central Bank, Santander.

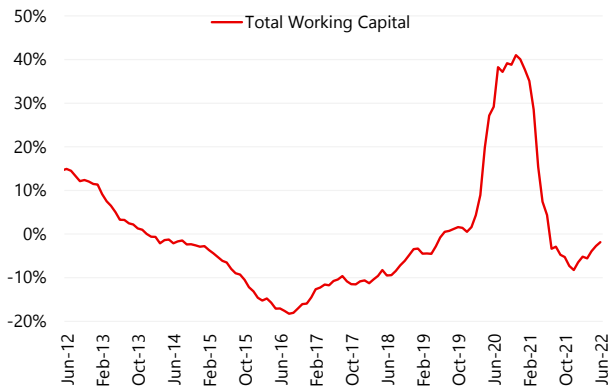
Figure 6. Outstanding Balance – Credit Card Purchases – Non-Earmarked (inflation adjusted) (% YoY)



Sources: Brazilian Central Bank, Santander.

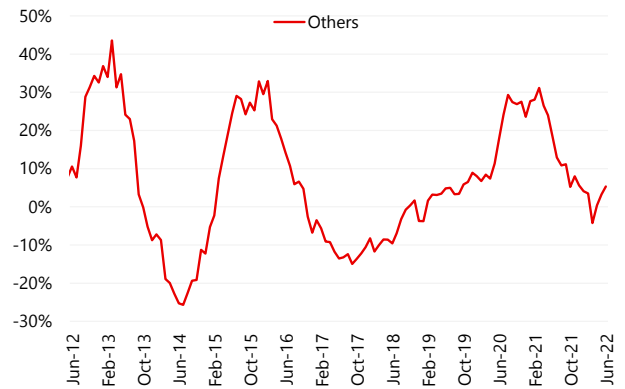


Figure 7. Outstanding Balance – Working Capital – Non-Earmarked (inflation adj.) (% YoY)



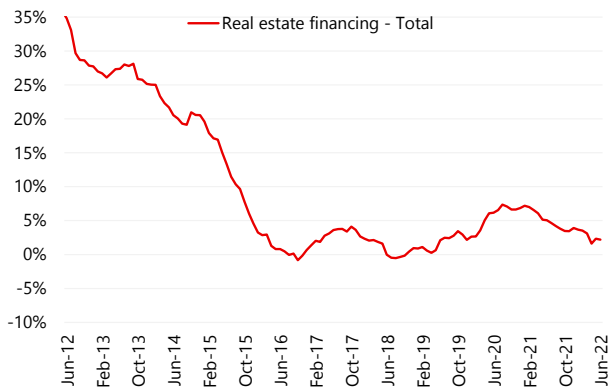
Sources: Brazilian Central Bank, Santander.

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



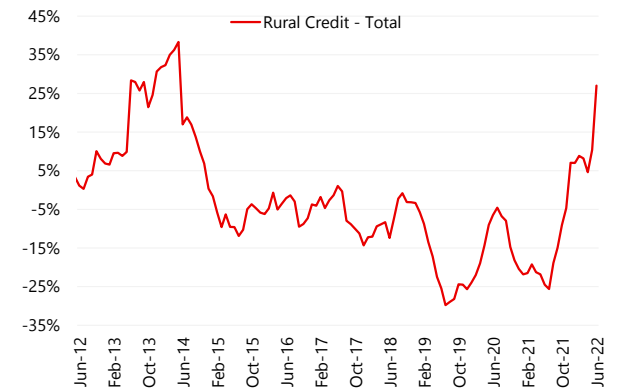
Sources: Brazilian Central Bank, Santander.

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



Sources: Brazilian Central Bank, Santander.

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

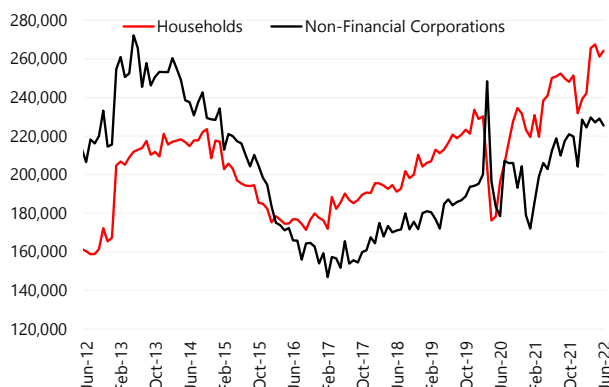


New Loans

New loans adjusted for inflation and seasonality (BCB methodology) fell 1.3% in June from May's -1.0% MoM-sa. For households, the **non-earmarked segment decreased 0.2% MoM-sa**. We highlight the fall in total personal credit (-4.2% MoM-sa) and credit cards' slight rise (0.7% MoM-sa).

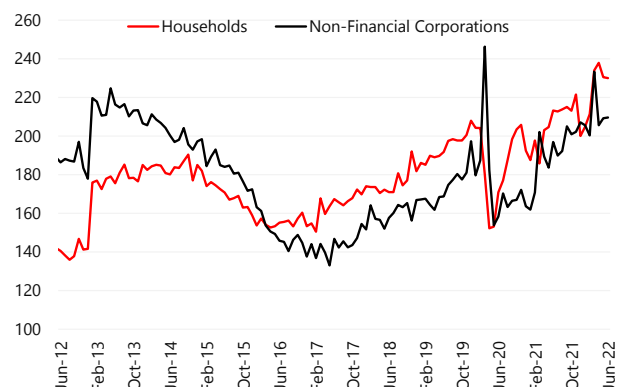
In the **earmarked segment, households increased a strong 11.3% MoM-sa**. Real estate financing rise (3.6% MoM-sa), and rural credit showed a strong positive variation (38.3% MoM-sa).

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



Sources: Brazilian Central Bank, Santander.

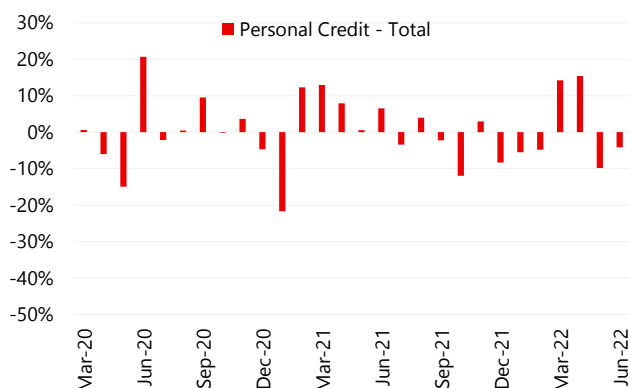
Figure 12. New Operations – Earmarked (inflation and seasonally adjusted, BRL thousands)



Sources: Brazilian Central Bank, Santander.

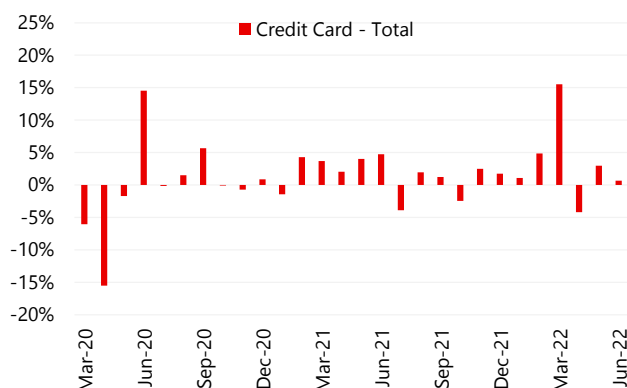


Figure 13. New Operations – Non-Earmarked – Personal Credit Total (% MoM)



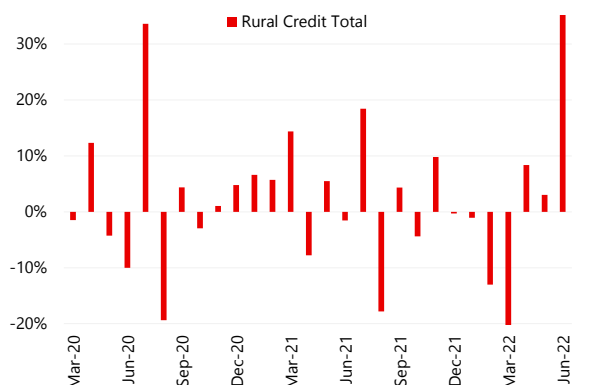
Sources: Brazilian Central Bank, Santander.

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



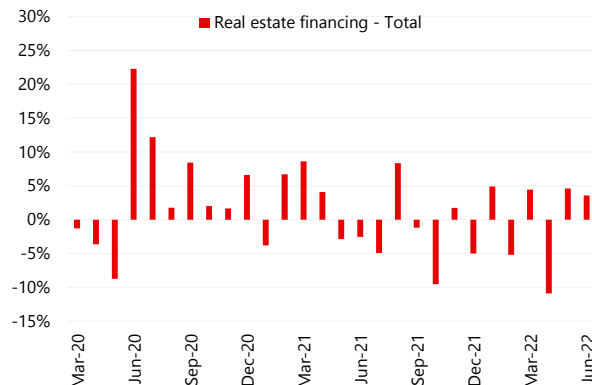
Sources: Brazilian Central Bank, Santander.

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



Sources: Brazilian Central Bank, Santander.

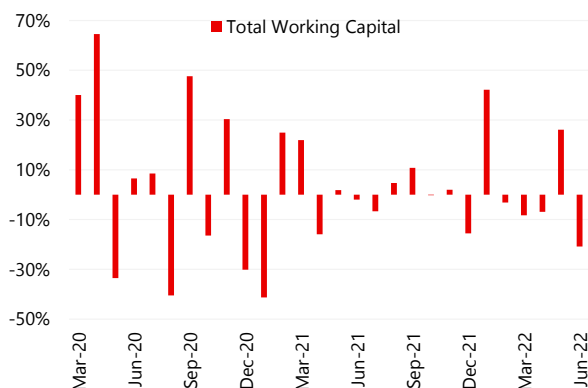
Figure 16. New Operations – Earmarked – Real Estate Financing Total to Households (% MoM)



Sources: Brazilian Central Bank, Santander.

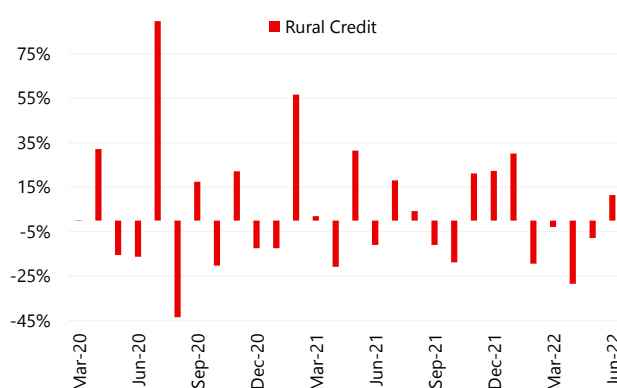
For companies, there was a slight increase of 0.2% MoM-sa in June in the non-earmarked segment, with total working capital showing a negative variation (- 20.8% MoM-sa), after the rise of 26.1% MoM-sa in May. The earmarked segment decreased, falling 7.4% MoM-sa, with rural credit showing increasing 11.5% MoM-sa.

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



Sources: Brazilian Central Bank, Santander.

Figure 18. New Operations – Earmarked – Rural Credit (% MoM)

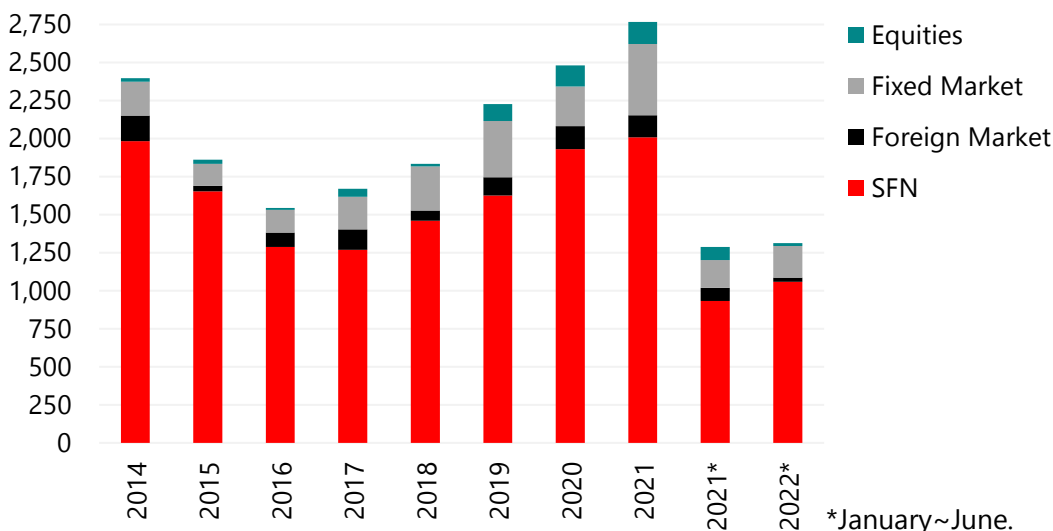




Total Credit

Considering total corporate financing YTD through June 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 28% smaller, with SFN concessions up 13.5%. **As a result, total corporate financing was up 2% compared to the year-ago period.**

Figure 19. Total Corporate Financing (inflation adjusted, BRL billions)



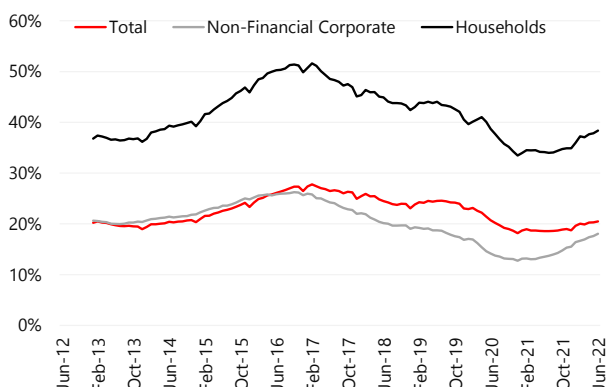
SFN - exclude *conta garantida, cheque especial* (overdraft) and credit card.
 Foreign Market - bonus, MTNs and securities.
 Fixed Income - Debentures, commercial papers, LFs, CRAs, CRIs e FIDCs.
 Equity - IPO and follow-on.

Sources: Brazilian Central Bank, Anbima, Santander.

Credit Conditions

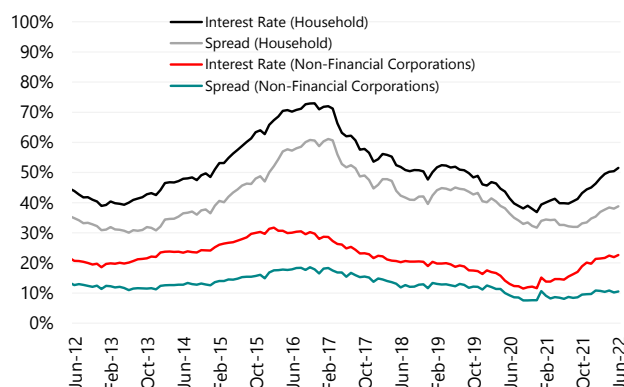
Lastly, the Credit Cost Indicator (ICC) of non-earmarked loans to households continued to rise, reaching 38.4% p.a. in June, the highest indicator since June 2020, and the indicator to corporations rising as well, to 18.1% p.a., the highest indicator since August 2019. The average interest rate for non-earmarked new loans was 51.5% p.a. for households, the highest rate since June 2019, and 22.6% p.a. for corporations, the highest rate since November 2017. The spread on non-earmarked new loans was 38.8% for households (+0.8 p.p. from May 2022) and 10.4% for corporations (0.4 p.p. from May 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.)



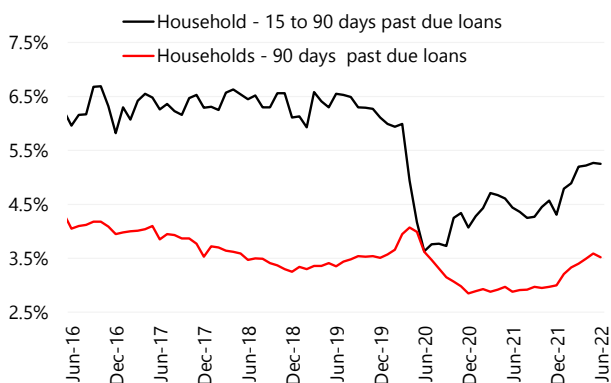
Sources: Brazilian Central Bank, Santander.



Household Debt

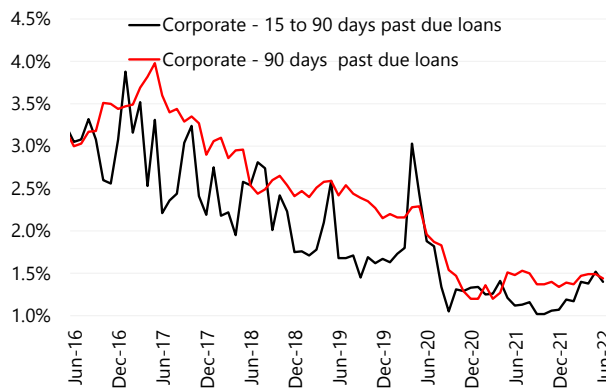
Still regarding non-earmarked loans, the seasonally adjusted default rate (% of 90-day past-due loans) continued to rise, reaching 5.2% for households, while reaching 1.6% for corporates. **Importantly, household debt-to-income reached a peak for the series, at 52.8% in May 2022; excluding real estate financing, household debt-to-income was at 33.5%. In addition, the debt service ratio reached 27.7% in May; excluding real estate financing, the debt service ratio was 25.6%. We see these figures as a risk for delinquencies as the economy recovers.**

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



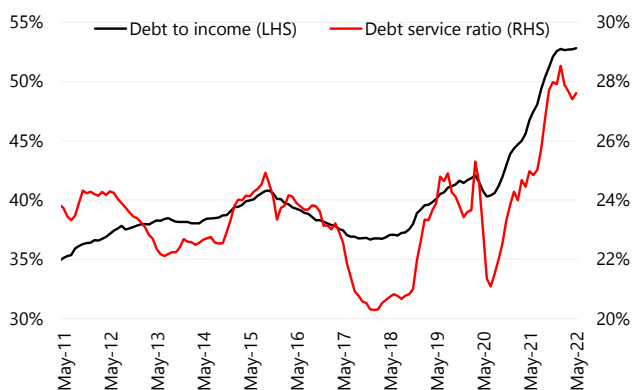
Sources: Brazilian Central Bank, Santander.

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		
	Apr-22	May-22	Jun-22	Apr-22	May-22	Jun-22	Apr-22	May-22	Jun-22
Households	12.0%	12.6%	12.1%	4.7%	4.7%	4.4%	8.7%	9.0%	8.6%
Non-financial corporations	4.2%	4.4%	5.8%	-11.4%	-10.5%	-7.9%	-1.7%	-1.1%	0.8%
Total	8.3%	8.8%	9.2%	-1.6%	-1.2%	-0.3%	4.2%	4.6%	5.3%

New operations inf. adj. (MoM-sa)	Nonearmarked			Earmarked			Total		
	Apr-22	May-22	Jun-22	Apr-22	May-22	Jun-22	Apr-22	May-22	Jun-22
Households	1.7%	-3.1%	-0.2%	-2.3%	0.3%	11.3%	0.7%	-2.4%	1.2%
Non-financial corporations	-11.9%	1.8%	0.2%	-13.7%	-3.9%	-7.4%	-1.1%	0.9%	-1.6%
Total	-1.9%	0.7%	-1.3%	-7.9%	1.2%	4.0%	-1.2%	-1.0%	-1.3%

Interest rate (% p.a.)	Nonearmarked			Earmarked			Total		
	Apr-22	May-22	Jun-22	Apr-22	May-22	Jun-22	Apr-22	May-22	Jun-22
Households	50.3%	50%	51.5%	9.7%	10.3%	10.4%	32.1%	32.6%	33.2%
Non-financial corporations	22.4%	21.9%	22.6%	14.6%	12.2%	11.5%	20.2%	19.2%	19.5%
Total	38.1%	38.0%	39.0%	11.1%	10.8%	10.7%	27.7%	27.6%	28.1%

Spreads (p.p)	Nonearmarked			Earmarked			Total		
	Apr-22	May-22	Jun-22	Apr-22	May-22	Jun-22	Apr-22	May-22	Jun-22
Households	38.4	38.0	38.8	3.7	3.7	3.8	22.8	22.7	23.2
Non-financial corporations	10.9	10.2	10.5	3.3	2.1	3.2	8.7	8.0	8.5
Total	26.4	25.9	26.5	3.6	3.3	3.6	17.6	17.2	17.7

Past Due Loans (%)	Nonearmarked			Earmarked			Total		
	Apr-22	May-22	Jun-22	Apr-22	May-22	Jun-22	Apr-22	May-22	Jun-22
Households	5.04	5.25	5.22	1.48	1.42	1.28	3.49	3.59	3.52
Non-financial corporations	1.69	1.69	1.66	1.11	1.09	1.02	1.49	1.49	1.44
Total	3.53	3.65	3.62	1.35	1.31	1.19	2.67	2.73	2.66

	Apr-22	May-22	Jun-22
Total Outstanding / GDP	53.7%	53.7%	53.9%
Total Outstanding under public control	42.4%	42.4%	42.4%
Total Outstanding under private control	57.6%	57.6%	57.6%

Sources: Brazilian Central Bank, Santander.



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