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Household Debt Continues to Fall

- Total outstanding loans in the National Financial System (SFN) posted inflation-adjusted growth of 7.0% YoY for March (+ 0.4 p.p vs. February 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 11.4% YoY growth; for non-financial corporations, loans rose 0.8% YoY.
- In the non-earmarked segment, household credit portfolios decelerated at the margin, at 10.2% YoY. The non-earmarked new loans to households showed a decrease of 1.3% MoM, after February’s tepid rise of 0.4% MoM-sa. We highlight the decrease in total personal credit (-9.3% MoM-sa) and the tepid rise in credit cards (2.0% MoM-sa).
- In the earmarked segment, loans to households rose at the margin during March, up 12.8% YoY. In the earmarked segment, loans to households decreased 9.0% MoM-sa in March. We highlight real estate financing’s decline (-3.5% MoM-sa), in line with February’s strong fall of 9.7% MoM-sa. Rural credit showed a tepid variation of -0.6% MoM-sa, in line with February’s fall of -4.5% MoM-sa.
- Finally, household debt-to-income continued to decelerate at the margin, reaching 48.6% in February, still high but down 1.2 p.p from February 2022. Excluding real estate financing, household debt-to-income was 31.8. In addition, the debt service ratio reached 27.4% in February; excluding real estate financing, the debt service ratio was 25.4%.

Outstanding Loans

Total outstanding loans in the National Financial System (SFN) posted inflation-adjusted growth of 7.0% YoY for March (+ 0.4 p.p vs. February 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 11.4% YoY, 0.2 p.p. higher than the growth registered in February 2023; for non-financial corporations, loans rose 0.8% YoY, higher than the 0.5 p.p. growth registered in February 2023. Also, **credit-to-GDP reached 52.9%, +0.1 p.p from February 2023.**

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

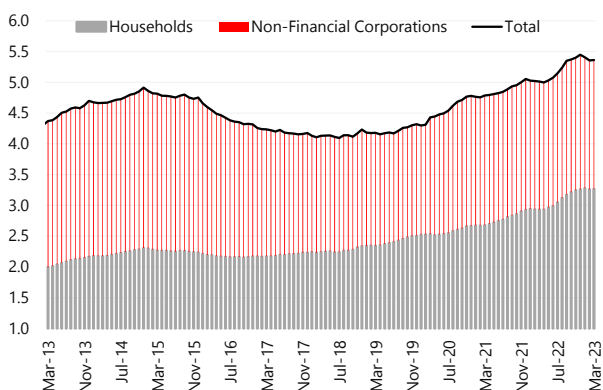
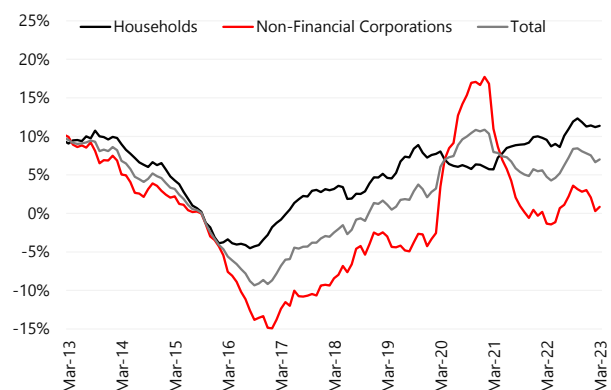


Figure 2. Total Outstanding Balance of Credit Operations – Growth Rate (inflation adjusted) (%)





Sources: Brazilian Central Bank, Santander.

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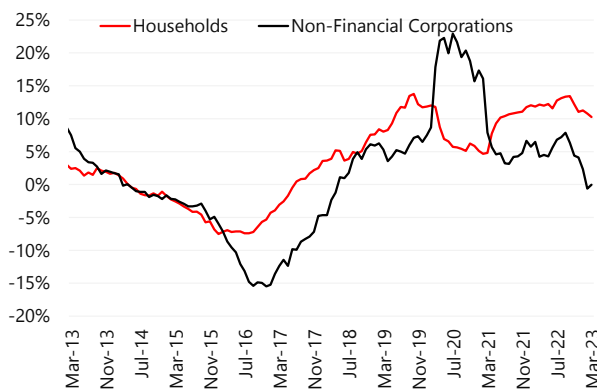
In the non-earmarked segment, household credit portfolios decelerated at the margin, at 10.2% YoY, -0.5 p.p from February 2023. **Total personal real credit grew 10.4% YoY, and credit cards fell at the margin, up 16% YoY, inflation adjusted, -2.2 p.p from February 2023, in line with the accommodation of consumption after the year-end events and highly adverse economic conditions.**

For corporations, in the non-earmarked segment, there was tepid real growth in the balance loans, after continuous lower numbers since October 2022. For March, the real growth rate was 0.0% YoY, a + 0.6 p.p. drop from February 2023, with **total working capital presenting a negative variation of -3.7% YoY (inflation adjusted), the lowest number since April 2022, and the discount of trade bills falling 0.5% YoY (inflation adjusted), the second consecutive negative variation since September 2020.**

On the other hand, in the earmarked segment, loans to households rose at the margin in March's growth rate to 12.8% YoY, up 1.1 p.p from February 2023. **Real estate financing grew 8.4% YoY, inflation adjusted. Rural credit grew 26.7% YoY, adjusted for inflation.**

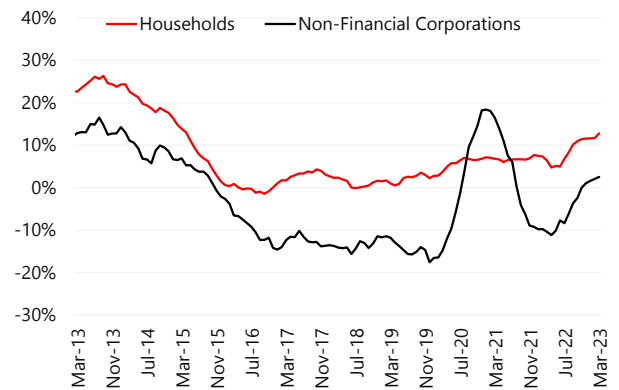
For corporations, in the earmarked segment, balance loans posted growth of 2.5 % YoY (adjusted for inflation), up 0.5 p.p from February 2023, and in line with the reissuance of public programs and signs of greater dynamism in lines with BNDES resources, in line with news that BNDES is planning to open a credit line of R\$2 billion for rural credit.

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



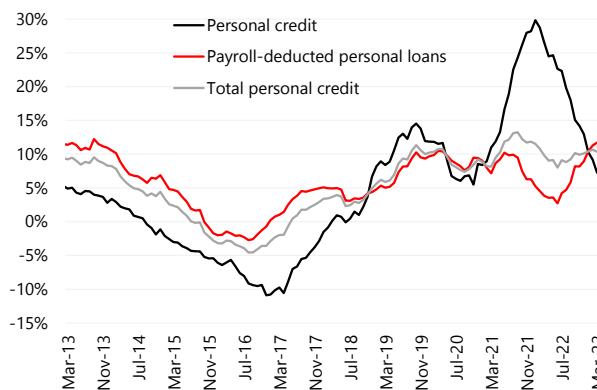
Sources: Brazilian Central Bank, Santander.

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



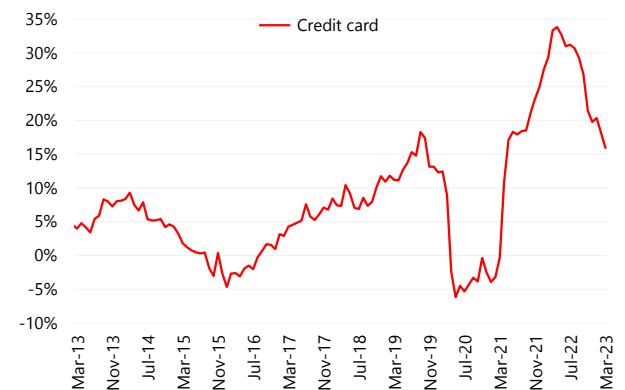
Sources: Brazilian Central Bank, Santander.

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



Sources: Brazilian Central Bank, Santander.

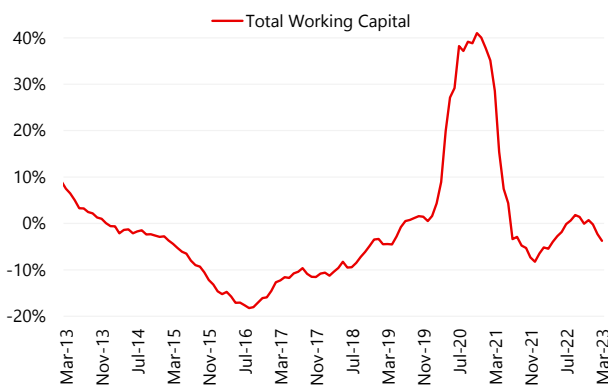
Figure 6. Outstanding Balance Households – Credit Card – Non-Earmarked (inflation adjusted) (% YoY)



Sources: Brazilian Central Bank, Santander.

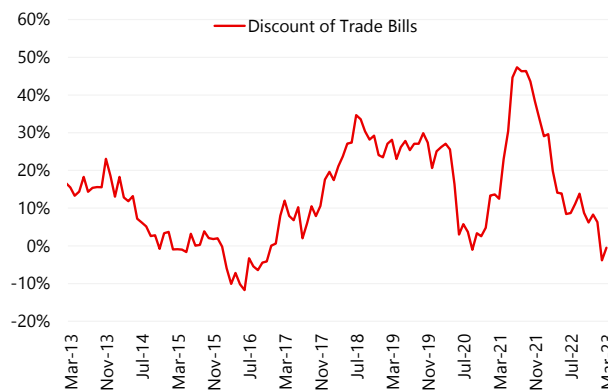


Figure 7. Outstanding Balance Corporates – Working Capital – Non-Earmarked (inflation adj.) (% YoY)



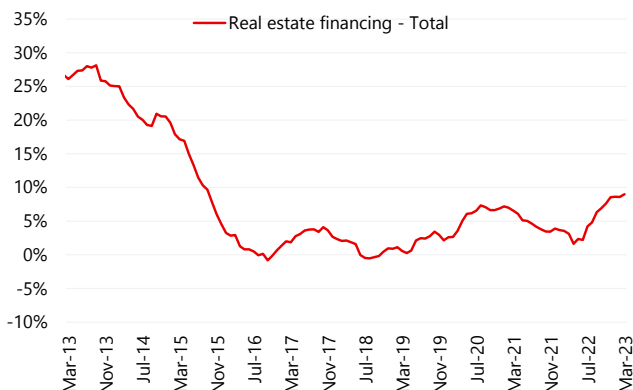
Sources: Brazilian Central Bank, Santander.

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



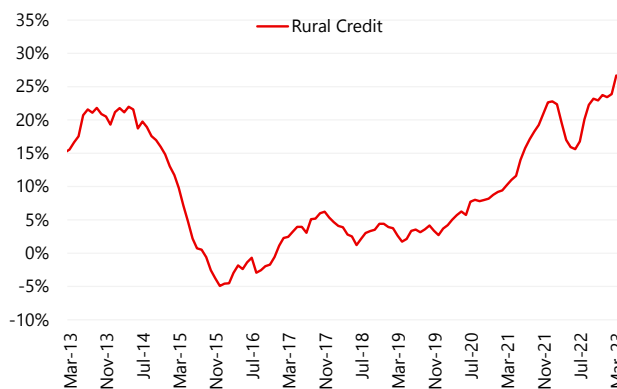
Sources: Brazilian Central Bank, Santander.

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



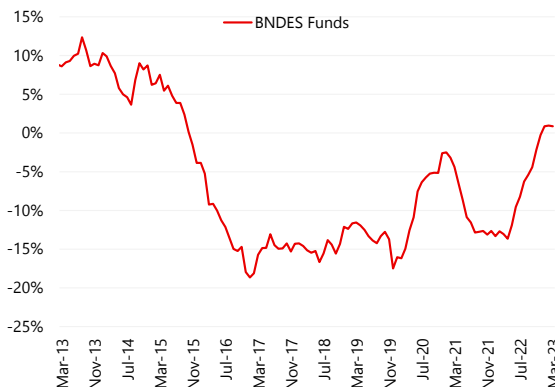
Sources: Brazilian Central Bank, Santander.

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.

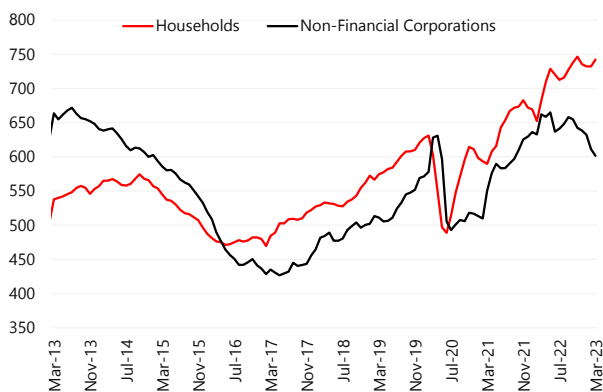


New Loans

New loans adjusted for inflation and seasonality (Brazil Central Bank methodology) fell 2.6% in March. For households, the **non-earmarked segment decreased 1.3% MoM, after February's tepid rise of 0.4% MoM-sa**. We highlight the decrease in total personal credit (-9.3% MoM-sa) and the rise in credit cards (2.0% MoM-sa).

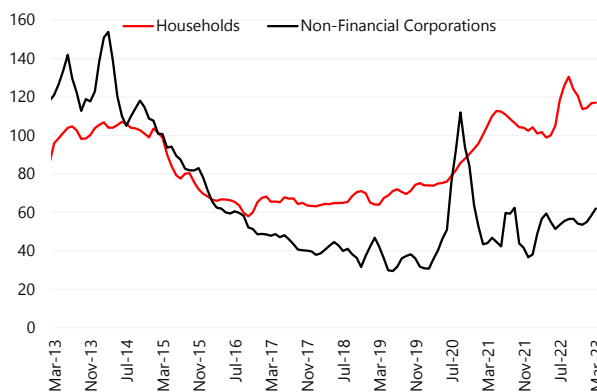
In the earmarked segment, loans to households decreased 9.0% MoM-sa in March. We highlight that real estate financing fell (-3.5% MoM-sa), in line with February's strong fall of 9.7% MoM-sa. Rural credit showed a tepid variation of -0.6% MoM-sa, in line February's fall of -4.5% MoM-sa.

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



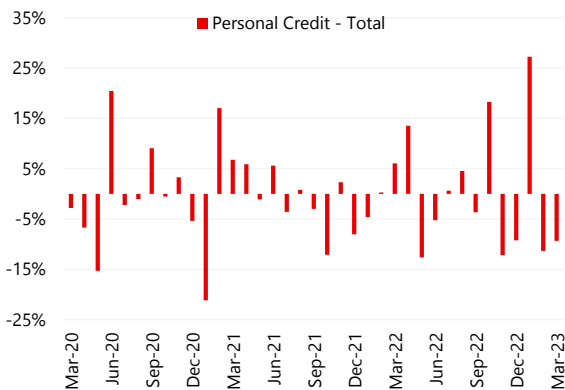
Sources: Brazilian Central Bank, Santander.

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



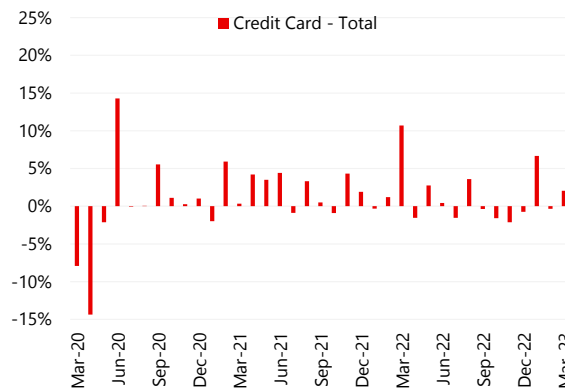
Sources: Brazilian Central Bank, Santander.

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



Sources: Brazilian Central Bank, Santander.

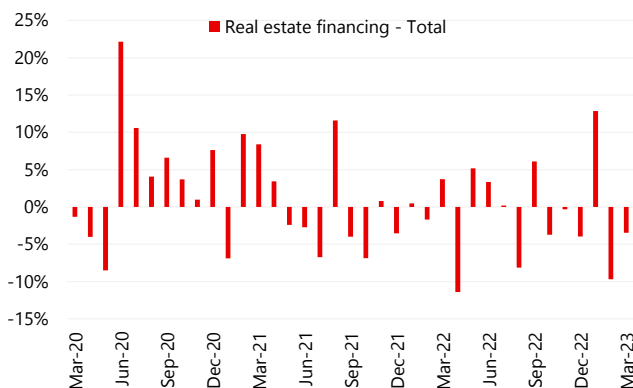
Figure 15. New Operations – Non-Earmarked – Credit Card Total (% MoM)



Sources: Brazilian Central Bank, Santander.

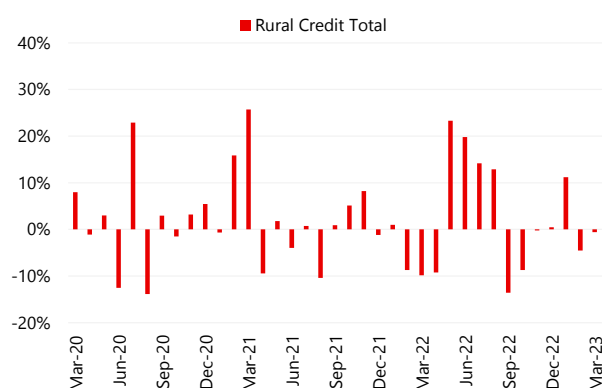


Figure 16. New Operations – Earmarked – Real estate financing Total (% MoM)



Sources: Brazilian Central Bank, Santander.

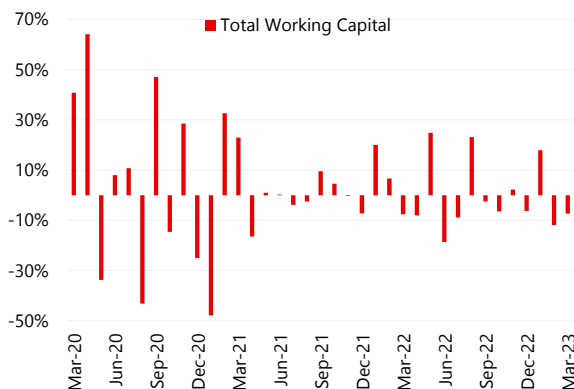
Figure 17. New Operations – Earmarked – Rural credit Total (% MoM)



Sources: Brazilian Central Bank, Santander.

For companies, there was a strong increase of 11.9% MoM-sa in March in the non-earmarked segment, after February’s fall of 9.1% MoM-sa. We highlight that total working capital showing a negative variation (-7.3% MoM-sa), in line with the drop (-11.8% MoM-sa), in February 2023. The earmarked segment posted a decrease of 1.1% MoM-sa.

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



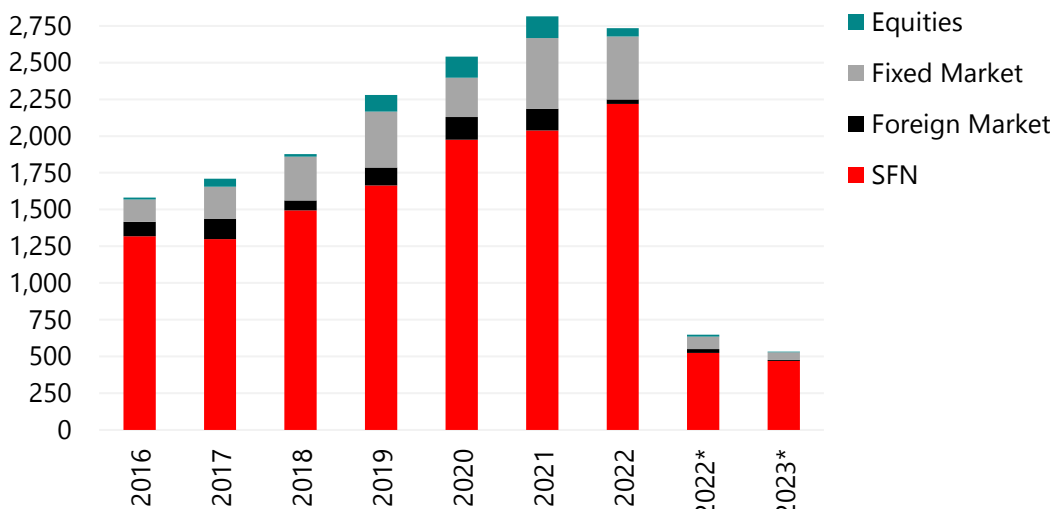
Sources: Brazilian Central Bank, Santander.



Total Credit

Considering total corporate financing YTD through March 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 50% smaller, with SFN concessions also down 10%. **As a result, total corporate financing was 18% 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.

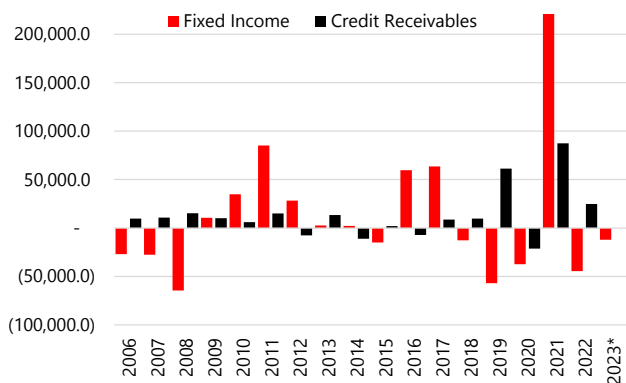
Fixed Income - Debentures, commercial papers, LFs, CRAs, CRIs and FIDCs.

Equity - IPO and follow-on.

*January~March

Sources: Brazilian Central Bank, Anbima, Santander.

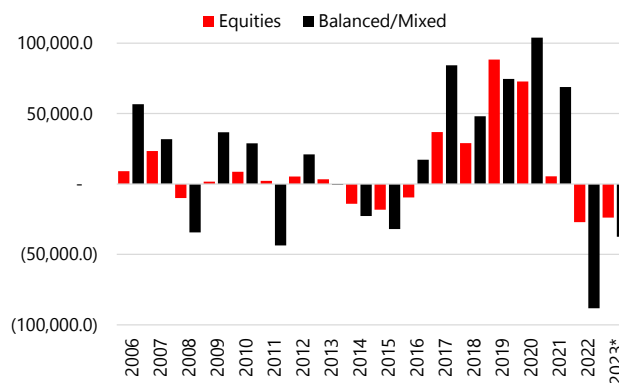
Figure 20. Net Inflows (BRL millions) – Fixed Income and Credit Receivables



Sources: Anbima, Santander.

* January ~March

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



Sources: Anbima, Santander.

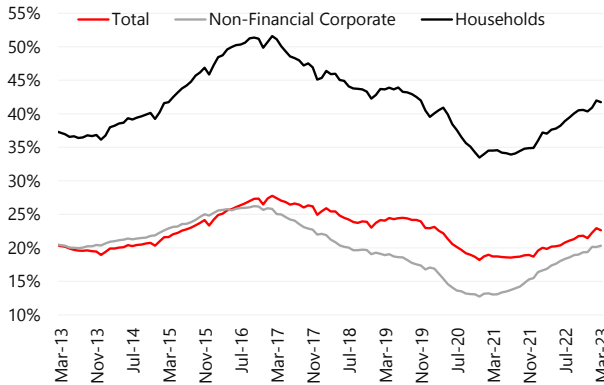
* January ~March



Credit Conditions

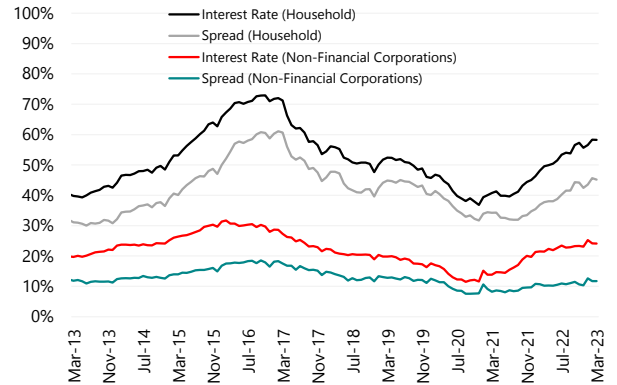
Lastly, the Credit Cost Indicator (ICC) for non-earmarked loans to households fell, reaching 41.7% p.a. in March, down 0.2 p.p. from February 2023, but the indicator for corporations rose to 20.3% p.a., up 0.2 p.p. from February 2023. The average interest rate for non-earmarked new loans stayed at 58.3% p.a. for households, flat in percentage point terms from February 2023, and staying at 24.1% p.a. for corporations, also flat in percentage point terms from February 2023. The spread on non-earmarked new loans was 45.2% for households (- 0.4 p.p. from February 2023) and 11.7% for corporations (0.0 p.p. from February 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.)



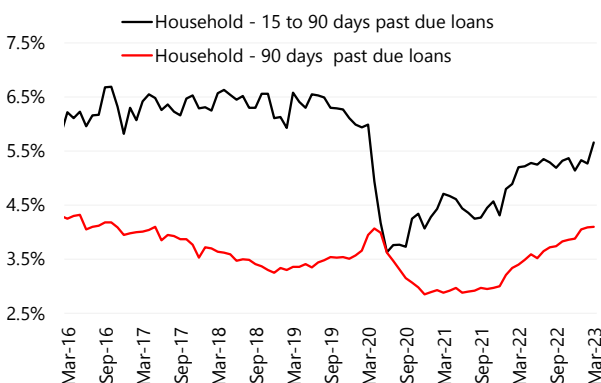
Sources: Brazilian Central Bank, Santander.

Household Debt

Still regarding non-earmarked loans, in March, the seasonally adjusted default rate (% of 90-day past-due loans) rose, reaching 6.2% for households and marking the third month with a default rate higher than 6 (the last time the default rate was higher than 6 was in January 2017), and for corporates showed growth, reaching 2.5%.

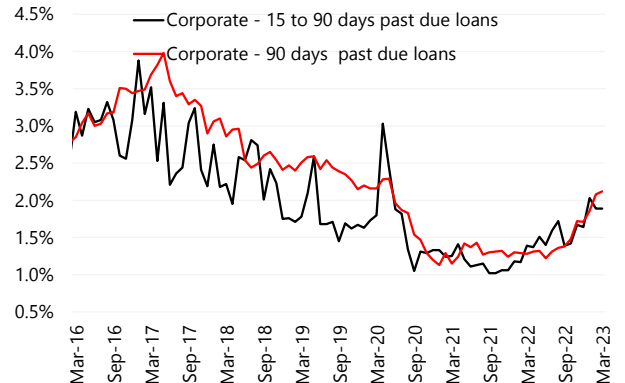
Importantly, household debt-to-income continued to decelerate at the margin, reaching 48.6% in February, still high but a drop of 1.2 p.p from February 2022. Excluding real estate financing, household debt-to-income was 31.8%, down 0.5 p.p from the year-ago period. In addition, the debt service ratio reached 27.4% in February; excluding real estate financing, the debt service ratio was 25.4%.

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



Sources: Brazilian Central Bank, Santander.

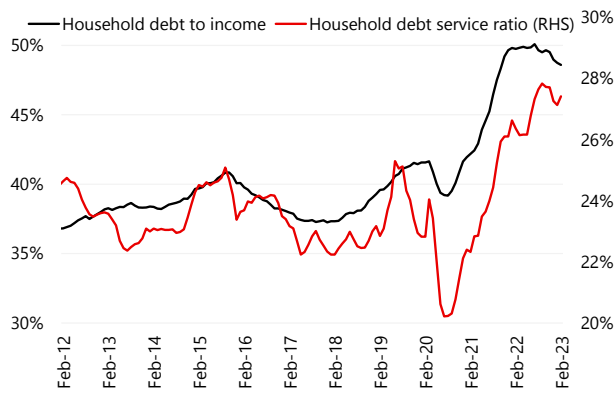
Figure 25. Loans Due – Corporate (% , s.a.)



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.

¹ Santander Brazil Credit – Chartbook: “Credit Decelerating” – April 17, 2023 – Available on: <https://bit.ly/Std-chart-credit-apr23>



Figure 27. Indicators

Outstanding inf. adj. (YoY)	Nonearmarked			Earmarked			Total		
	Jan-23	Feb-23	Mar-23	Jan-23	Feb-23	Mar-23	Jan-23	Feb-23	Mar-23
Households	11.3%	10.8%	10.2%	11.6%	11.7%	12.8%	11.4%	11.2%	11.4%
Non-financial corporations	2.3%	-0.6%	0.0%	1.6%	2.0%	2.5%	2.1%	0.3%	0.8%
Total	7.2%	5.6%	5.6%	8.0%	8.2%	9.1%	7.5%	6.7%	7.0%

New operations inf. adj. (MoM-sa)	Nonearmarked			Earmarked			Total		
	Jan-23	Feb-23	Mar-23	Jan-23	Feb-23	Mar-23	Jan-23	Feb-23	Mar-23
Households	5.2%	0.4%	-1.3%	12.1%	-1.2%	-9.0%	6.4%	0.0%	-3.3%
Non-financial corporations	-6.1%	-9.1%	11.9%	18.6%	2.9%	-1.1%	0.6%	-5.2%	-3.8%
Total	2.1%	-2.6%	-4.0%	8.1%	-2.6%	-4.8%	4.8%	-3.0%	-2.6%

Interest rate (% p.a.)	Nonearmarked			Earmarked			Total		
	Jan-23	Feb-23	Mar-23	Jan-23	Feb-23	Mar-23	Jan-23	Feb-23	Mar-23
Households	56.6%	58%	58.3%	11.3%	10.3%	11.4%	36.0%	36.4%	36.9%
Non-financial corporations	25.3%	24.2%	24.1%	13.4%	13.2%	14.1%	22.2%	21.2%	21.5%
Total	43.5%	44.2%	44.3%	11.8%	11.0%	12.1%	31.2%	31.2%	31.6%

Spreads (p.p)	Nonearmarked			Earmarked			Total		
	Jan-23	Feb-23	Mar-23	Jan-23	Feb-23	Mar-23	Jan-23	Feb-23	Mar-23
Households	43.5	45.6	45.2	4.6	4.5	4.8	25.8	26.8	26.7
Non-financial corporations	12.6	11.7	11.7	4.2	3.8	3.9	10.4	9.6	9.7
Total	30.6	31.7	31.5	4.5	4.4	4.6	20.4	21.0	20.9

Past Due Loans (%)	Nonearmarked			Earmarked			Total		
	Jan-23	Feb-23	Mar-23	Jan-23	Feb-23	Mar-23	Jan-23	Feb-23	Mar-23
Households	6.10	6.11	6.17	1.45	1.55	1.52	4.05	4.09	4.10
Non-financial corporations	2.29	2.36	2.45	1.07	1.57	1.52	1.86	2.08	2.12
Total	4.46	4.51	4.58	1.32	1.56	1.52	3.19	3.30	3.33

	Jan-23	Feb-23	Mar-23
Total Outstanding / GDP	53.2%	52.8%	52.9%
Total Outstanding under public control	42.7%	43.0%	43.0%
Total Outstanding under private control	57.3%	57.0%	57.0%

Sources: Brazilian Central Bank, Santander.



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