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## Brazil Macro | June 2022

Credit

Fabiana Moreira  
[fabiana.de.oliveira@santander.com.br](mailto:fabiana.de.oliveira@santander.com.br)

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**BRIEF OVERVIEW**

**01**

## SUMMARY

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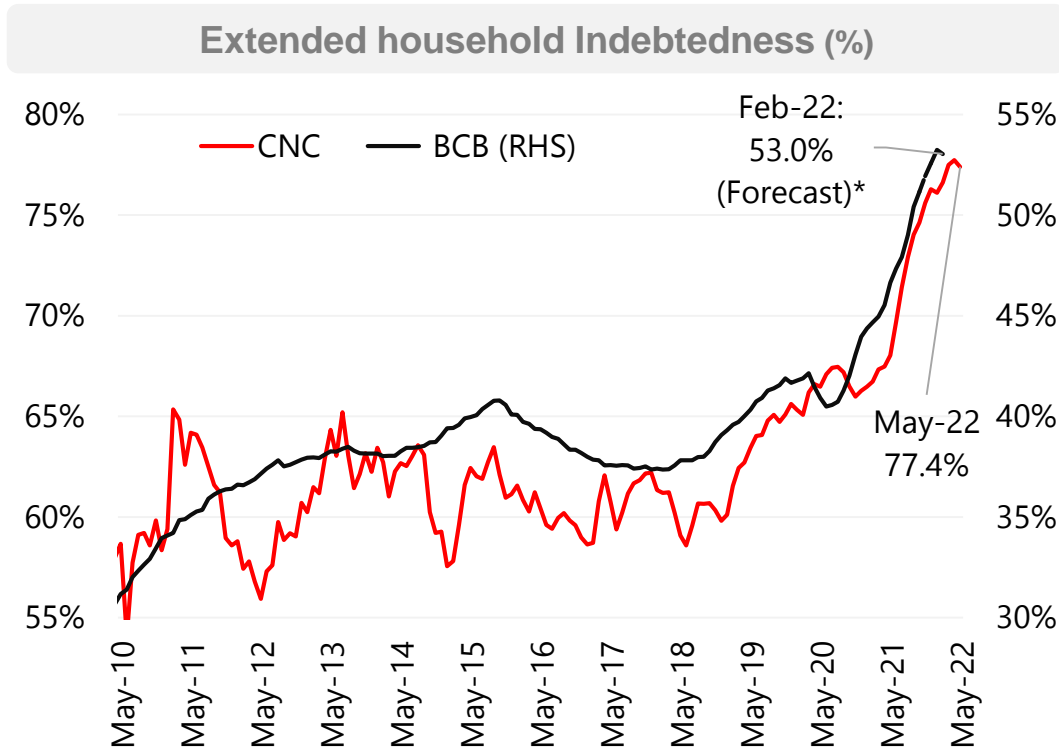
- Given the sharp increase in household debt, especially in a context of higher inflation (reducing the purchasing power) and higher interest rates (increasing the debt servicing), we continue to look for a deceleration in bank lending.
- Our projections for total outstanding loan growth is **-0.8% YoY in 2022** and **0.2% YoY in 2023** (inflation-adjusted).
- In 2H22, we expect that trend to be magnified by an expected slowdown in economic activity. However, we anticipate only a cyclical increase in NPLs, and no emergence of new historical peaks, reflecting structural improvements in the bank lending framework and credit-concession technology.
- All in all, we expect credit to pose a small drag on economic activity in 2022-23.
- ***Owing to a strike of federal workers, the last official data available is from February, and new data releases have been postponed with no publication date rescheduled for now.***

HOUSEHOLD

02

# Families Indebtedness is (still) the main problem

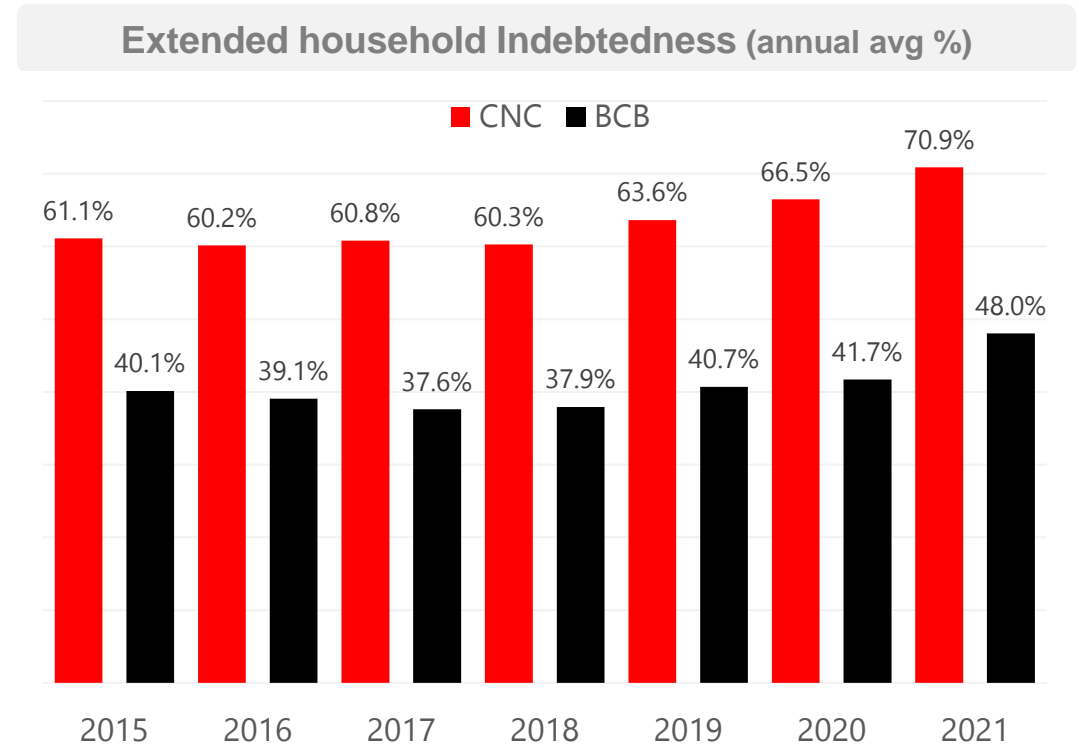
- Household indebtedness keeps rising fast, we foresee a higher figure for February-22, at 53%
- The situation is getting worse due to the credit operations increasing and the household income stagnation.



Sources: Brazilian Central Bank, CNC, Santander.

The indebtedness indicator built by the National Confederation of Commerce (CNC, in Portuguese acronym) – measured through a survey carried out in all Brazilian capitals with approximately 18 thousand consumers. Those numbers could herald the trends in the BCB series (official data).

\* Using January's forecast ( 53.23%) as January official data.

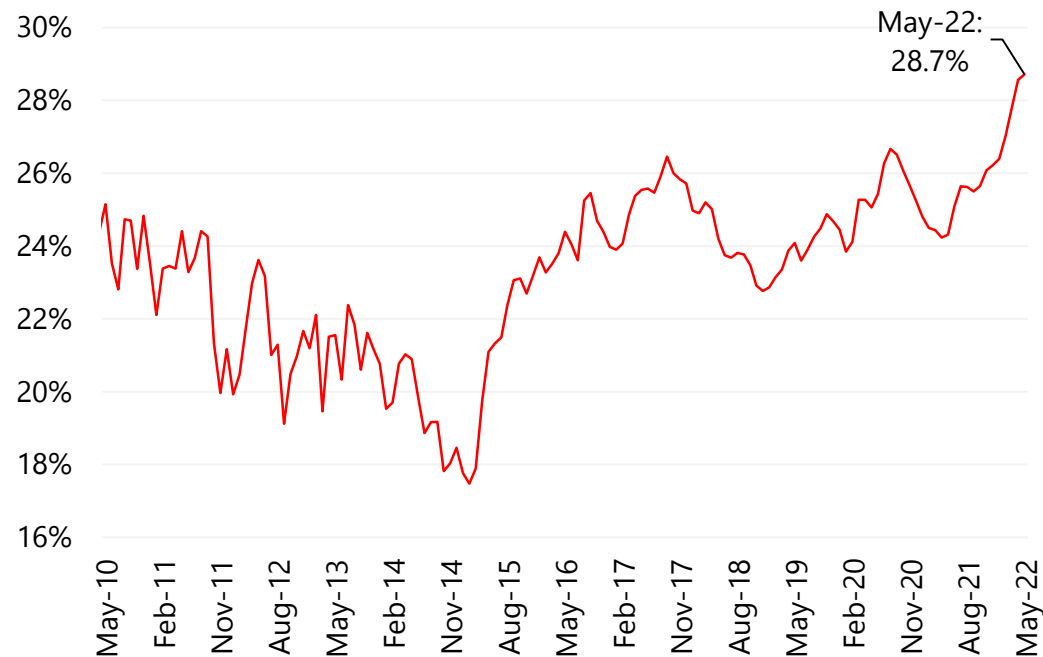


Sources: Brazilian Central Bank, CNC, Santander.

# Families Indebtedness: it will remain for a time

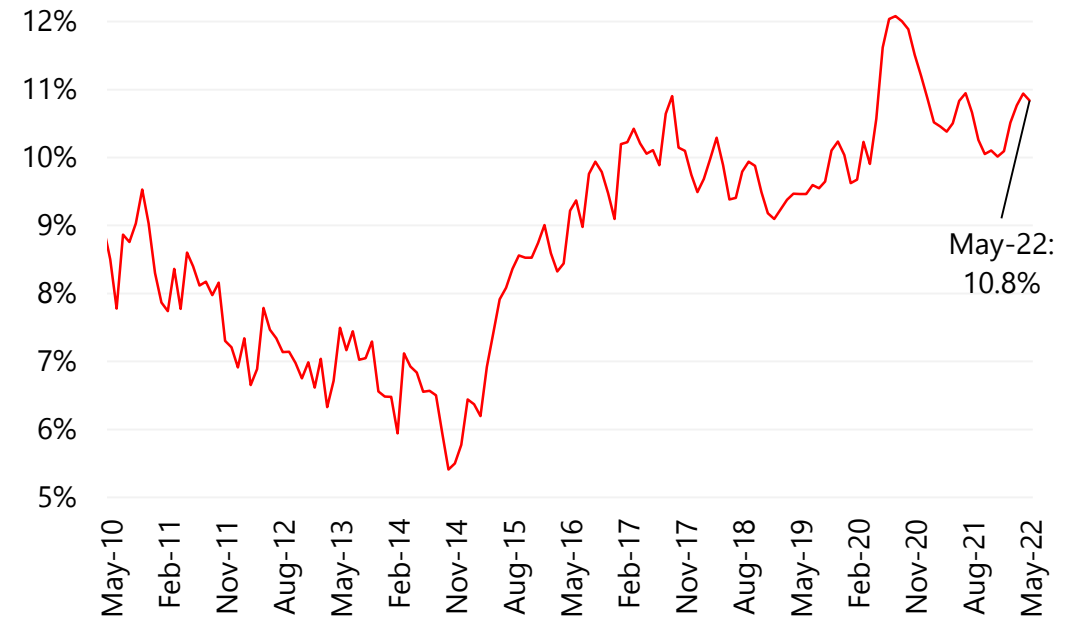
- Families are facing difficulties to honor their debts during the month, as they are already with a very tight budget, not only because of debt but also due to macro scenario.

Families with overdue bills and/or debts (% of total families)



Sources: CNC, Santander.

Families who will not be able to pay overdue bills (% of total families)

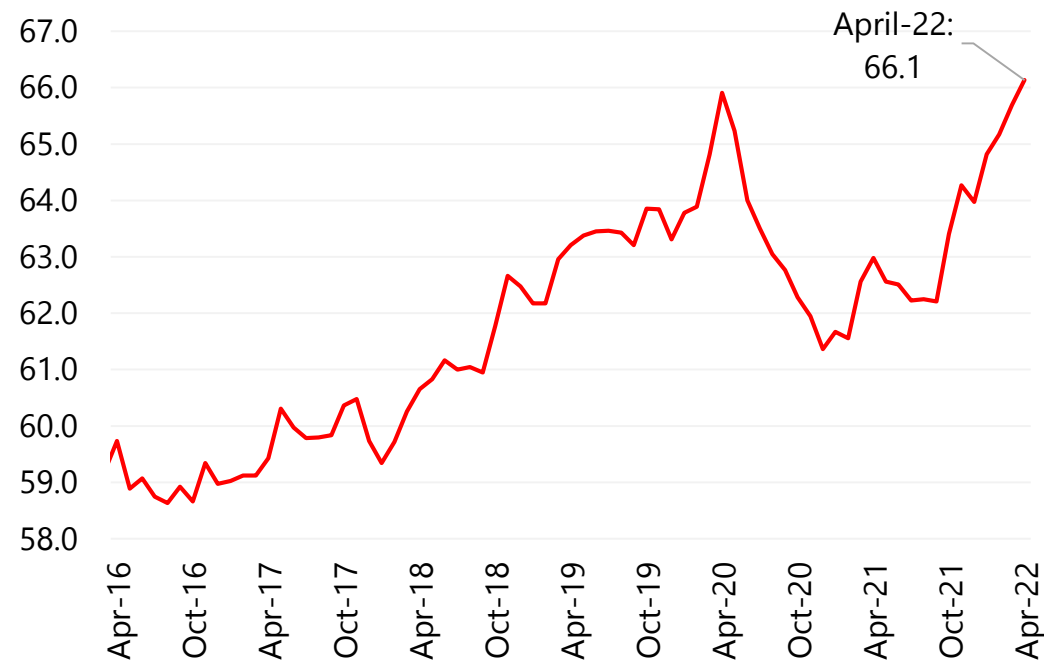


Sources: CNC, Santander.

## Families Indebtedness: higher than ever

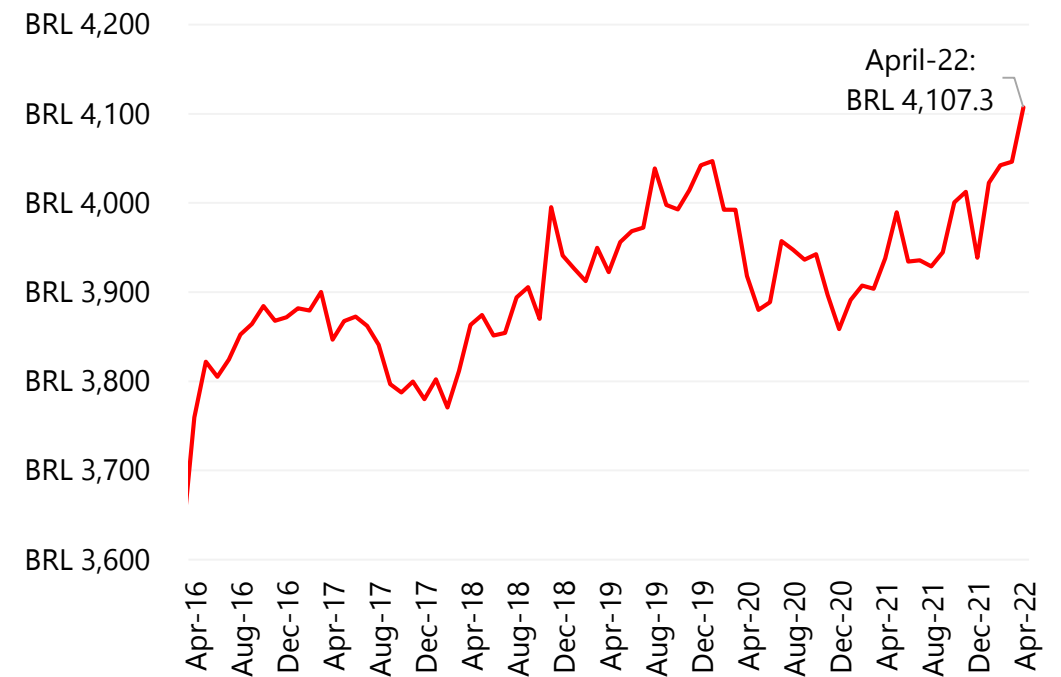
- The number of Household Defaulting reached an all-time high in April, at 66.1 million consumers who are defaulting;
- The Average Debt of these consumers also is at an all-time high, at a debt of R\$ 4.107 (in average)

### Household Defaulting - Millions



Sources: Serasa Experian, Santander.

### Average Debt - BRL

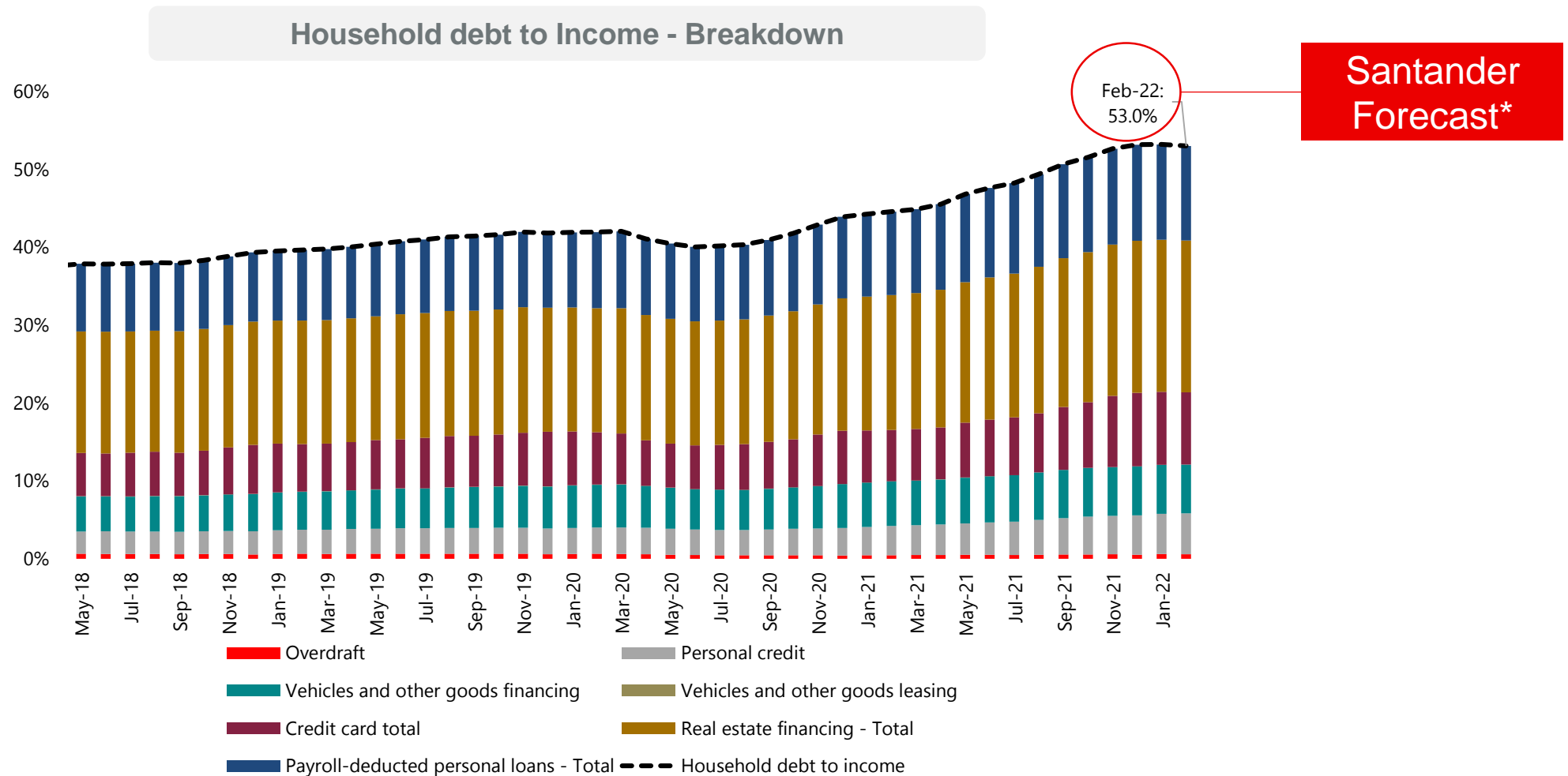


Sources: Serasa Experian, Santander.



# Families Indebtednes: breakdown

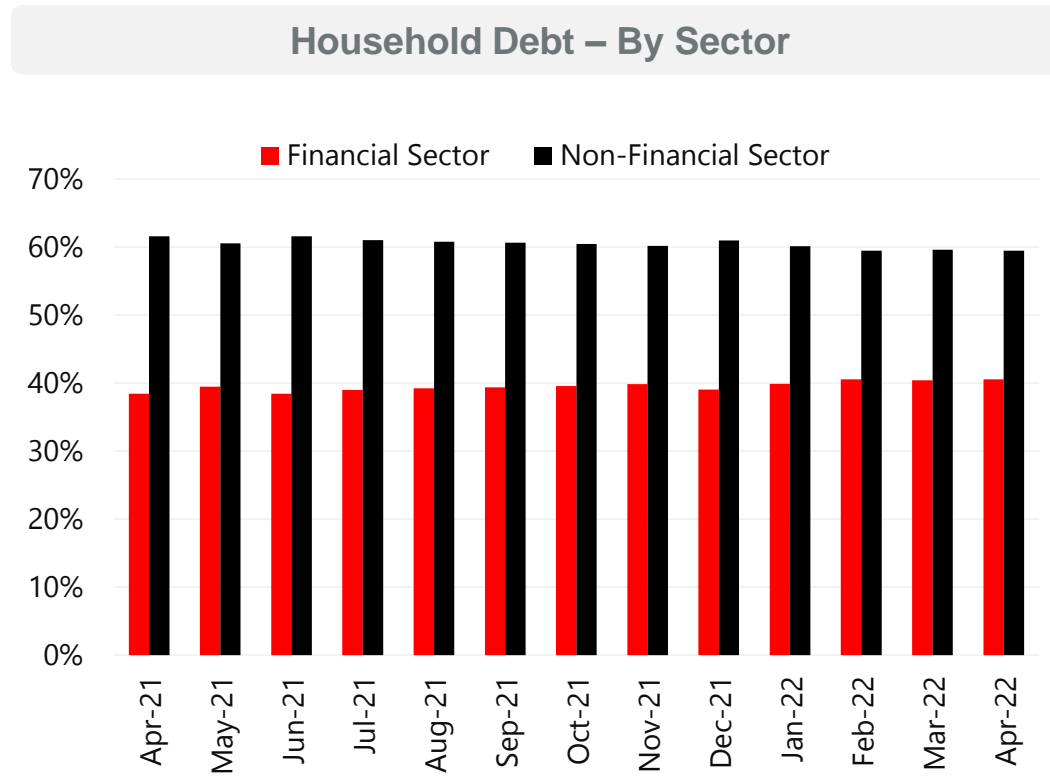
- The largest part of Household debt to income is made up of: Real estate financing, Payroll-deducted personal loans and Credit card.



**Santander Forecast\***

# Families Indebtednes: by Sector

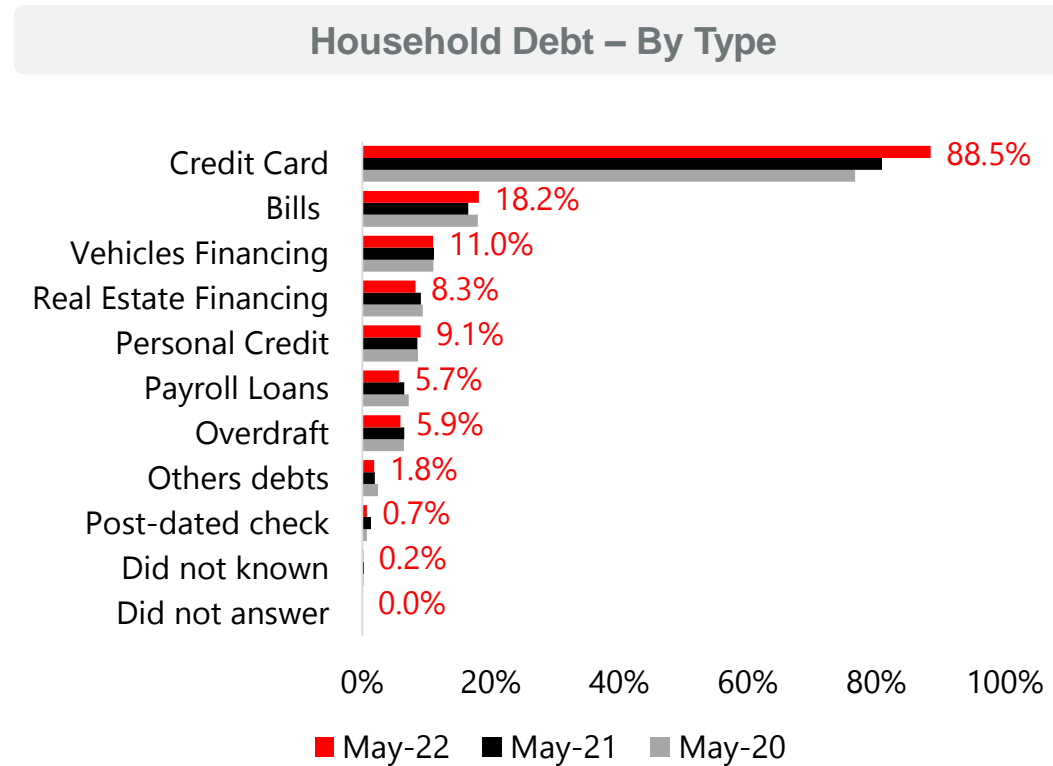
- Almost 60% of families' debt is in Non-Financial Sector.



Sources: CNC, Santander.

# Families Indebtednes: by Type

- More than 88% of families have Credit Card as a type of debt.

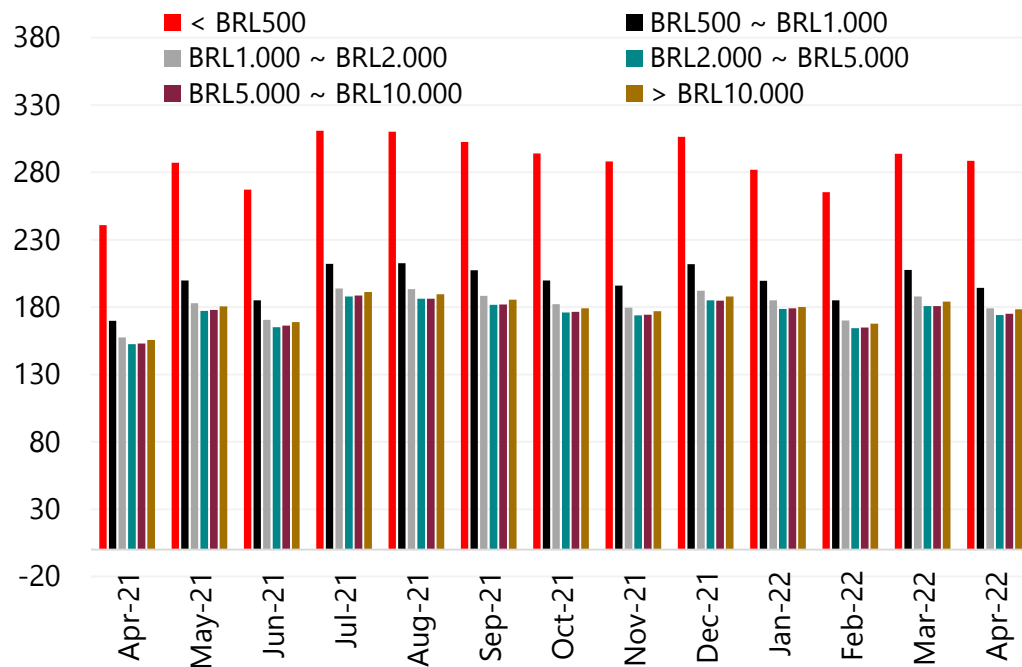


Sources: CNC, Santander.

# Household demand for Credit: Breakdown

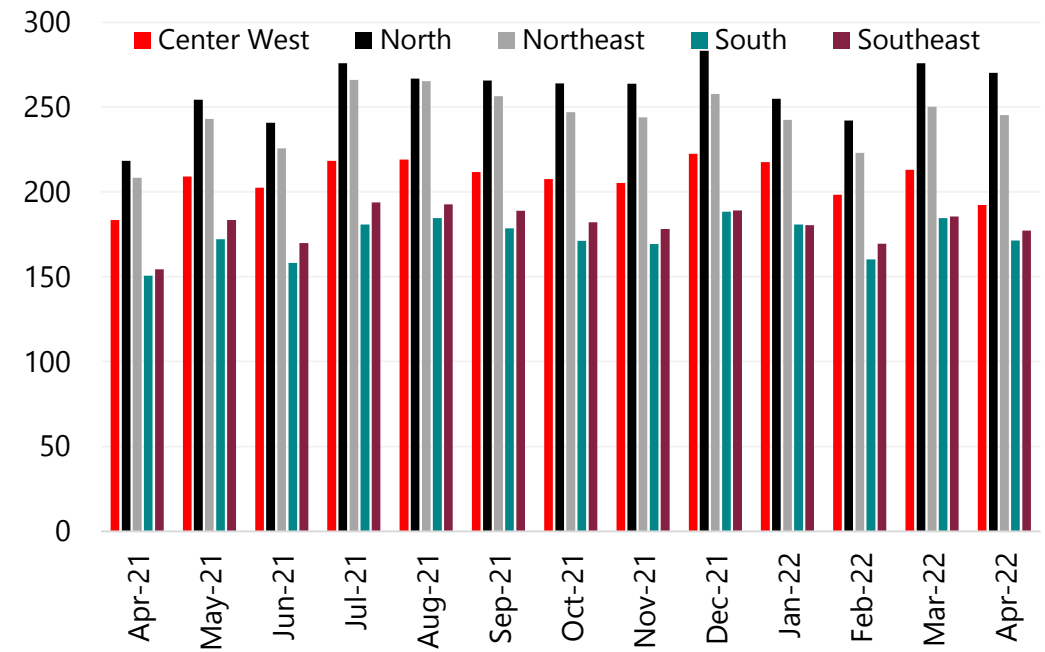
- Families with incomes of less than BRL 500 are the ones that most demand credit.
- And, families living in the north or northeast (country regions) are the ones that most demand credit,

Household demand for Credit – By Income



Sources: Serasa Experian, Santander.

Household demand for Credit – By Country Region



Sources: Serasa Experian, Santander.

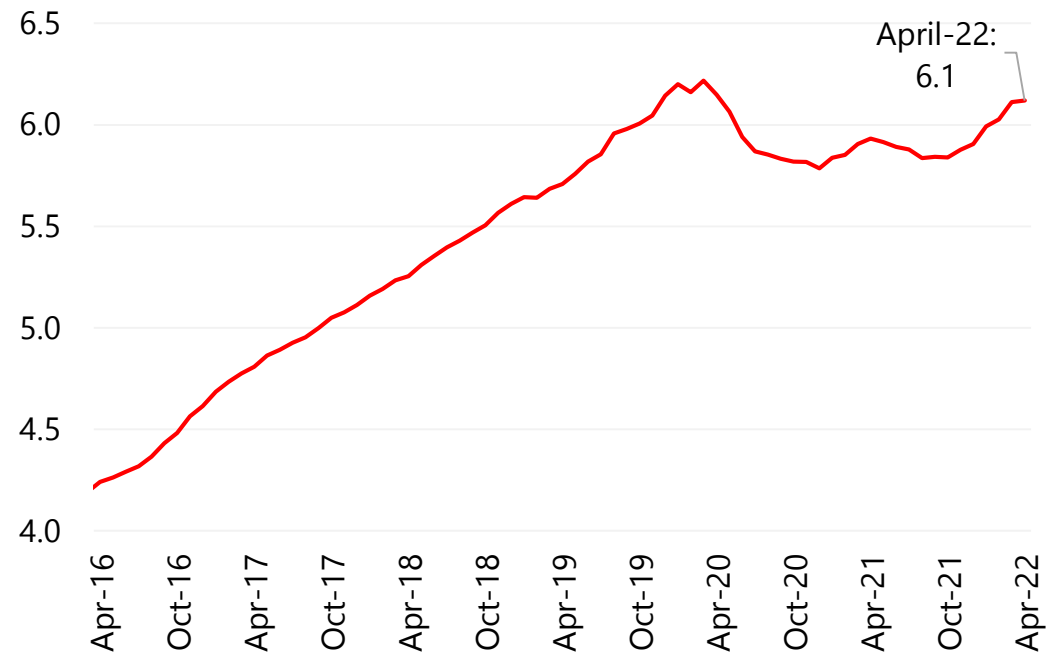
CORPORATE

03

## Corporates default: higher than last year

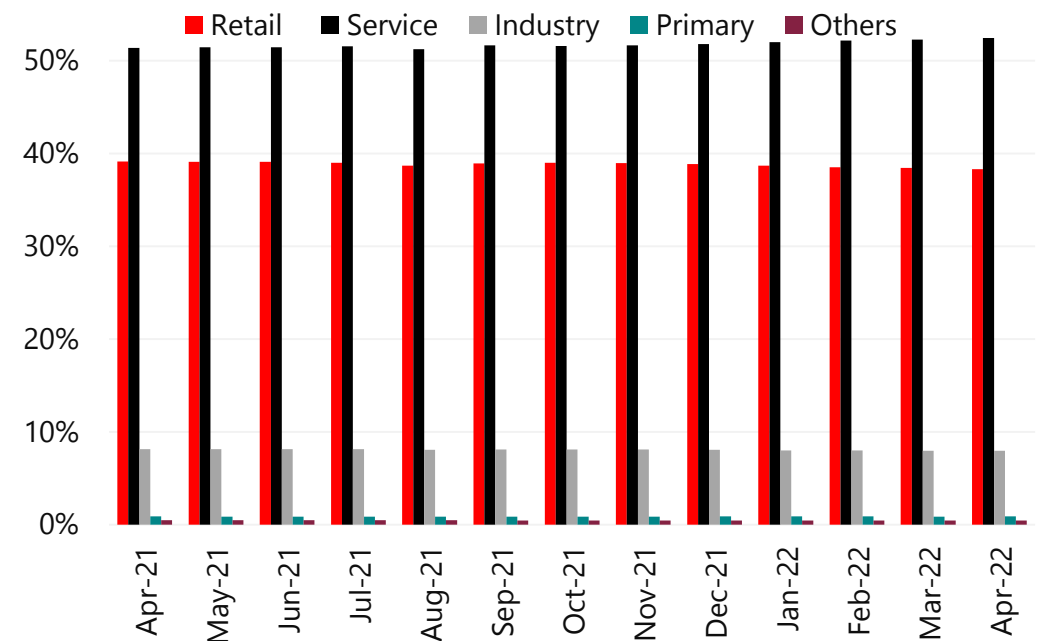
- The number of defaulting companies reached 6.1 million, (2021: around 5.8-5.9 million).
- The retail and service sectors are the sectors that have more default.

Corporate Defaulting - Million



Sources: Serasa Experian, Santander.

Total Default – By Sector

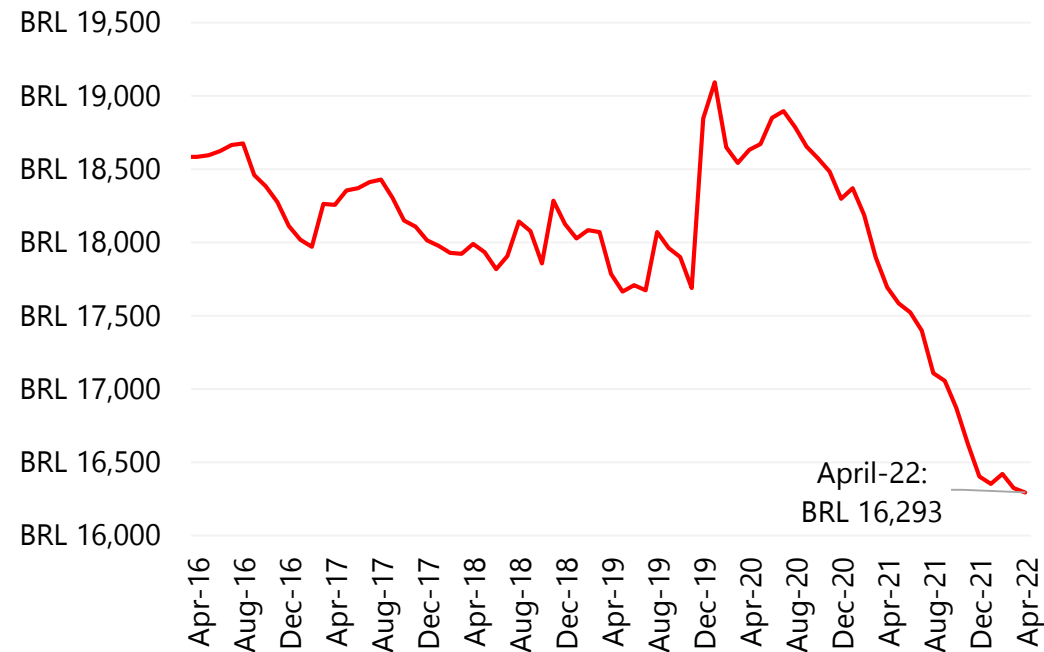


Sources: Serasa Experian, Santander.

# Corporates debt: lower than ever

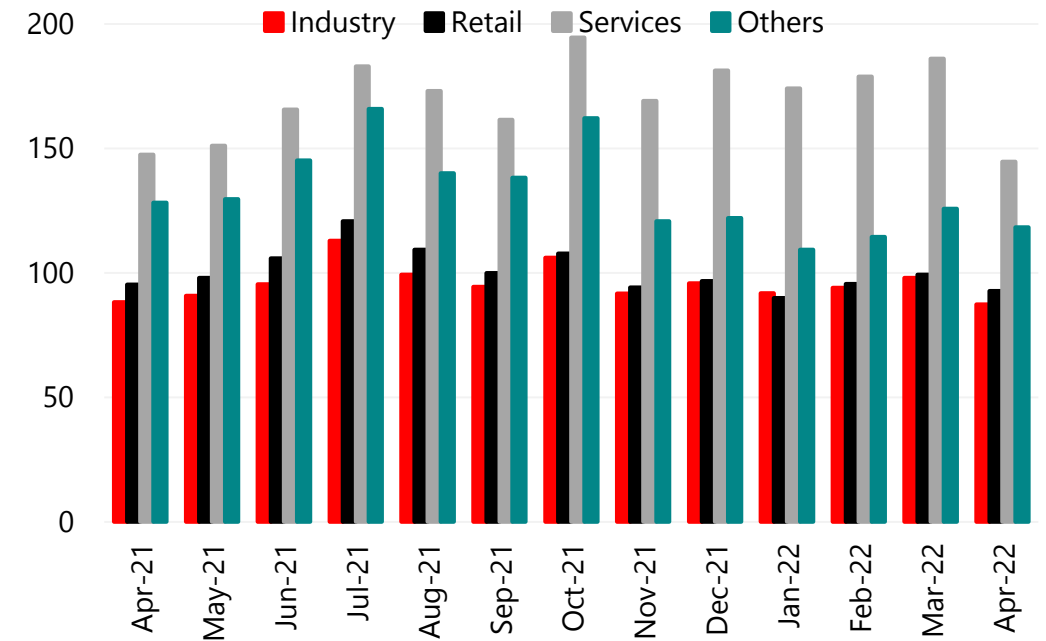
- The Average Debt of these corporates is decreasing and reached an all-time low.
- The service and others sectors are the sectors that demand more credit.

Average Debt



Sources: Serasa Experian, Santander.

Corporate demand for Credit – by Sector

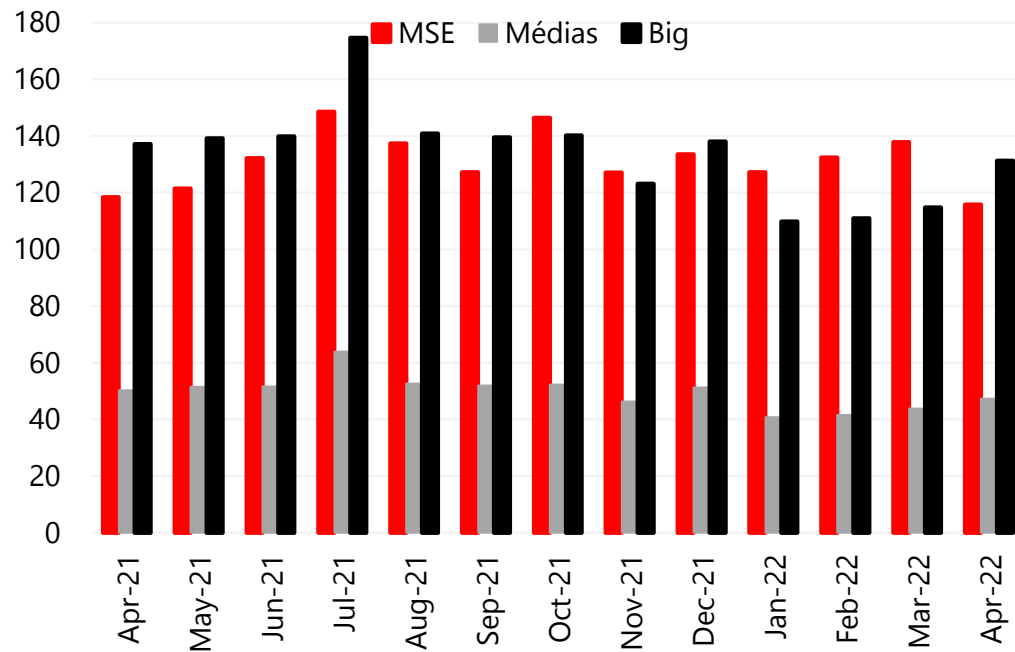


Sources: IBGE, Santander.

# Corporate demand for Credit

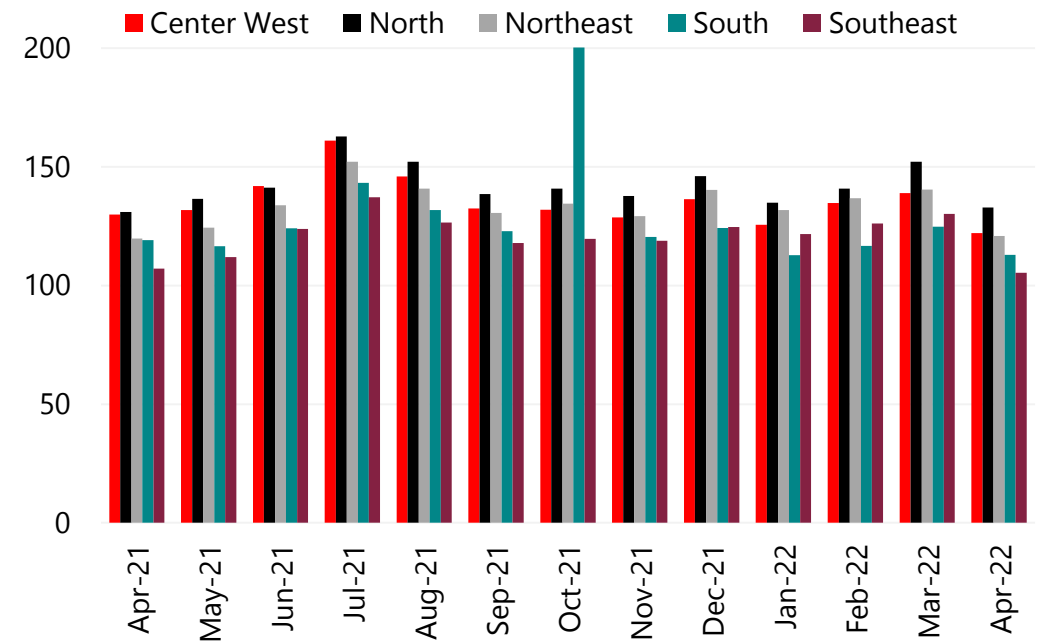
- Micro and Small Enterprises (MSE) and Big Companies are who demand more credit.
- All the country regions have similar demand for credit.

Corporate demand for Credit – by Company Size



Sources: Serasa Experian, Santander.

Corporate demand for Credit – by Country Region



Sources: Brazilian Central Bank, Santander.

\* BRL million and Inflation adjusted.



Forecasts

04

## Nominal Credit Outstanding & Delinquencies – Current Forecasts

Nominal Credit Outstanding (%YoY)						
	2019	2020	2021	2022e	2023e	2024e
<b>Total</b>	6.4	15.6	16.3	9.4	6.8	8.4
Household	11.9	11.1	21.0	12.2	8.3	10.2
Non-fin. Corp.	-0.3	21.8	10.5	5.5	4.7	5.6
<b>Non earmarked</b>	13.9	15.4	20.3	11.4	6.7	9.4
Household	16.5	10.7	23.0	12.6	8.3	9.8
Non-fin. Corp.	10.8	21.2	17.3	9.9	4.7	8.9
<b>Earmarked</b>	-2.4	15.9	10.9	6.4	7.1	6.7
Household	6.6	11.7	18.5	11.6	8.4	10.7
Non-fin. Corp.	-14.0	22.8	-0.3	-2.8	4.6	-1.5

Credit Conditions							
	2018	2019	2020	2021	2022e	2023e	2024e
<b>Non-performing loans (Non-Earmarked)</b>	3.9	3.7	2.9	3.1	4.4	5.0	4.6
Household	4.8	5.0	4.2	4.4	5.6	5.9	5.5
Non-fin. Corp.	2.7	2.1	1.5	1.5	2.2	2.9	2.9
<b>Household Indebtedness</b>	38.9	41.4	43.9	52.6	54.9	55.6	56.5
<b>Household debt service ratio</b>	22.0	23.4	23.8	27.9	28.8	29.1	29.6

Sources: Santander.

## Real Credit Outstanding & Delinquencies – Current Forecasts

Real Credit Outstanding (%YoY)							
	2019	2020	2021	2022e	2023e	2024e	
<b>Total</b>	3.8	11.2	5.1	-0.2	1.5	5.0	
Household	9.1	6.9	9.3	2.3	2.9	6.7	
Non-fin. Corp.	-2.7	17.2	-0.2	-3.8	-0.6	2.3	
<b>Non earmarked</b>	11.1	11.0	8.7	1.6	1.3	6.0	
Household	13.7	6.5	11.1	2.7	2.9	6.4	
Non-fin. Corp.	8.0	16.6	5.9	0.2	-0.6	5.5	
<b>Earmarked</b>	-4.8	11.5	0.2	-3.0	1.8	3.4	
Household	4.0	7.4	7.1	1.8	3.0	7.2	
Non-fin. Corp.	-16.2	18.2	-9.9	-11.3	-0.6	-4.6	
Credit Conditions							
	2018	2019	2020	2021	2022e	2023e	2024e
<b>Non-performing loans (Non-Earmarked)</b>	3.9	3.7	2.9	3.1	4.4	5.0	4.6
Household	4.8	5.0	4.2	4.4	5.6	5.9	5.5
Non-fin. Corp.	2.7	2.1	1.5	1.5	2.2	2.9	2.9
<b>Household Indebtedness</b>	38.9	41.4	43.9	52.6	54.9	55.6	56.5
<b>Household debt service ratio</b>	22.0	23.4	23.8	27.9	28.8	29.1	29.6

Sources: Santander.

# Brazil Macroeconomic Research Team

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### **Ana Paula Vescovi**

Chief Economist  
anavescovi@santander.com.br  
+55 (11) 3553-8567

### **Mauricio Oreg**

Head of Research & Strategy  
mauricio.oreg@santander.com.br  
+55 (11) 3553-5404

### **Jankiel Santos**

Economist – External Sector  
jankiel.santos@santander.com.br  
+55 (11) 3012-5726

### **Ítalo Franca**

Economist – Fiscal Policy  
italo.franca@santander.com.br  
+55 (11) 3553-5235

### **Tomas Urani**

Economist – Global Economics  
tomas.urani@santander.com.br  
+55 (11) 3553-9520

### **Daniel Karp Vasquez**

Economist - Inflation  
daniel.karp@santander.com.br  
+55 (11) 3553-9828

### **Lucas Maynard**

Economist – Economic Activity  
lucas.maynard.da.silva@santander.com.br  
+55 (11) 3553-7495

### **Felipe Kotinda**

Economist - Commodities  
felipe.kotinda@santander.com.br  
+55 (11) 3553-8071

### **Fabiana Moreira**

Economist - Credit  
fabiana.de.oliveira@santander.com.br  
+55 (11) 3553-8071

### **Gilmar Lima**

Economist – Modeling  
gilmar.lima@santander.com.br  
+55 (11) 3553-6327

### **Gabriel Couto**

Economist – Special Projects  
gabriel.couto@santander.com.br  
+55 (11) 3553-8487

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