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**Brazil Macro | March 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

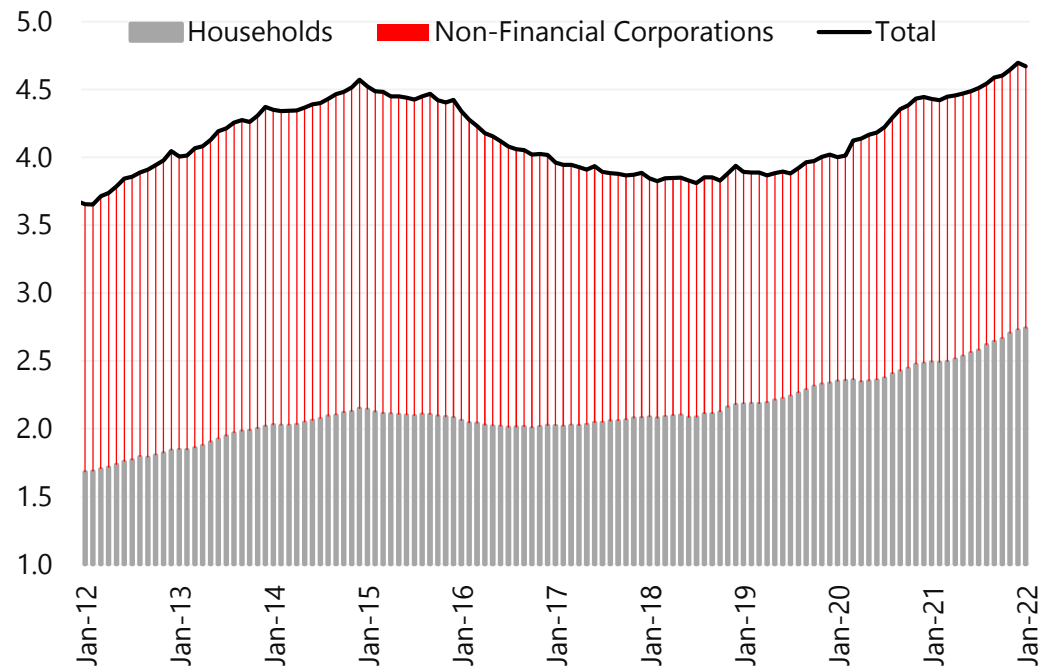
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- **Our projections for total outstanding loan growth is 9.3% YoY in 2022 and 6.0% YoY in 2023, as recent data (inflation and interest rate) support our view on bank credit this year. Besides, a continued increase in household debt is a risk for loan growth and, especially for the delinquencies in the medium term.**
- For households, the non-earmarked new loans segment posted an increase of 1.2% MoM-sa.
- For companies, there was a decrease of 1.0% MoM-sa in January in the non-earmarked new loans segment. The earmarked segment registered a significant increase of 30% MoM-sa after December's decline (-7% MoM-sa).
- Considering total corporate financing YTD through January 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 12% lower, while SFN concessions were up 38%. As a result, total corporate financing was up 12% compared to the year-ago period.

## Credit market remained strong

- Total outstanding loans posted inflation-adjusted growth of 5.4% YoY in January 2022 (- 5.3 p.p. from growth registered in Jan - 2021) to BRL4.7 trillion
- The growth rate of total outstanding loans finished the year at 16.35%, up 0.5 p.p from Jan -2021.

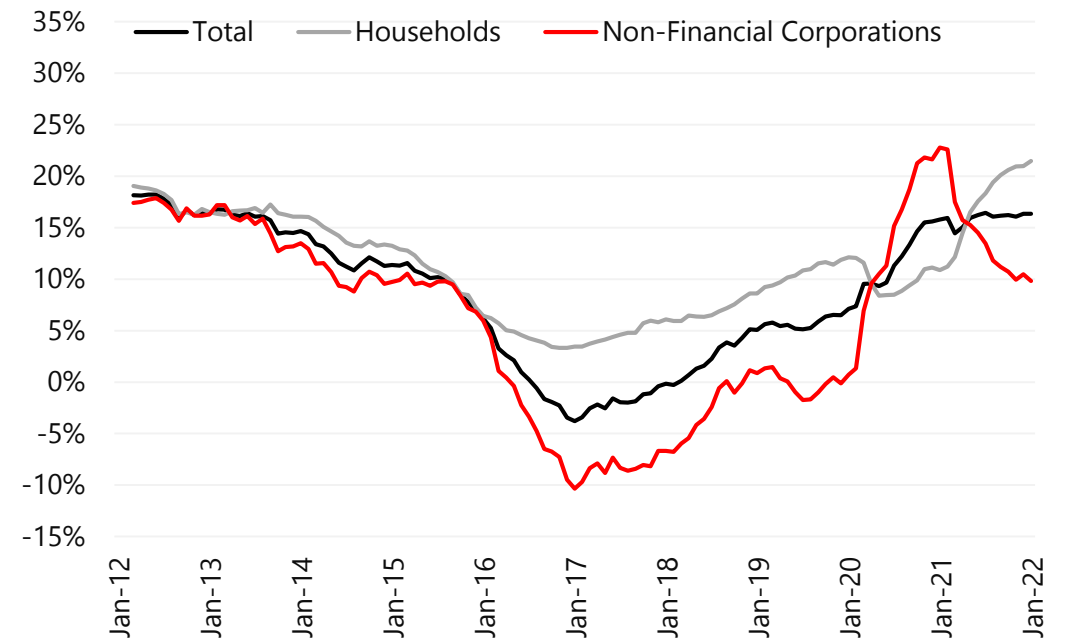
Total Outstanding Balance of Credit Operations



Sources: Brazilian Central Bank, Santander.

\* BRL billion, inf. adj, seasonally adj.

Total Outstanding Balance of Credit – Growth Rate (%)



Sources: Brazilian Central Bank, Santander.

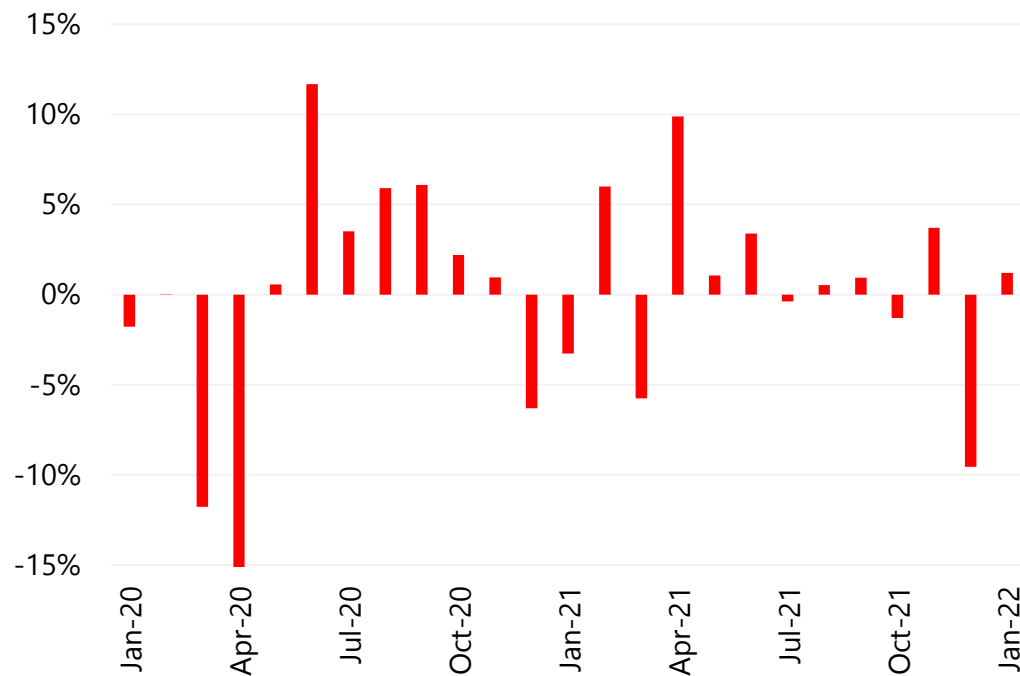
HOUSEHOLD

02

## Non-Earmarked new loans posted a decrease

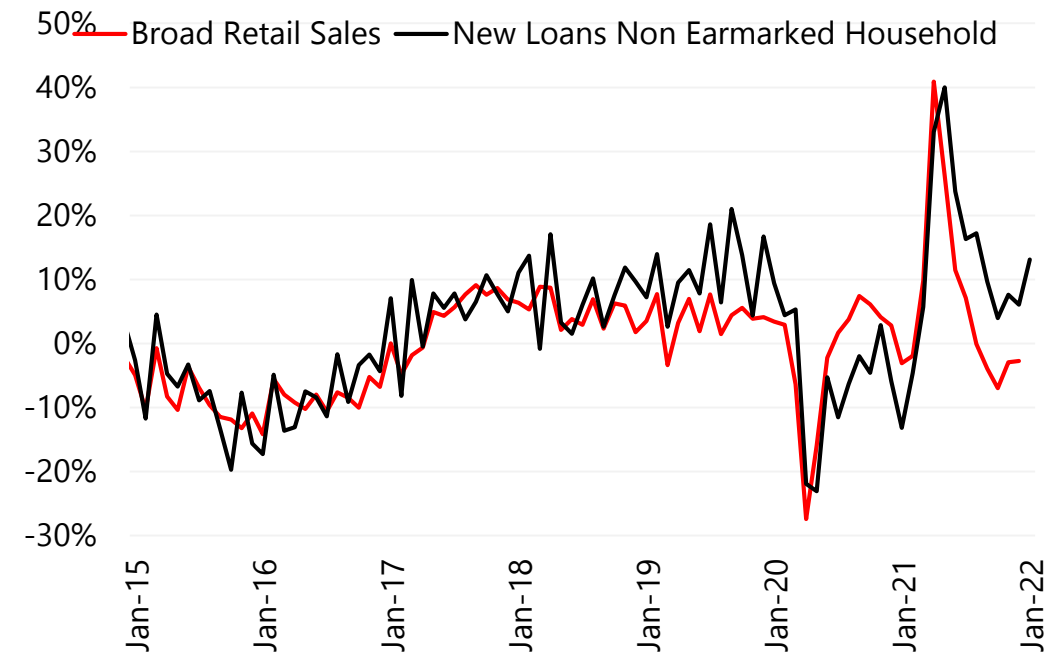
- For households, the non-earmarked segment posted an increase of 1.2% MoM-sa.
- The highlights were total personal credit, which keeps falling, and credit cards, which posted the first decline after six months in a row with positive figures.

### Non-Earmarked - New Loans MoM



Sources: Brazilian Central Bank, Santander.

### Broad Retail Sales YoY New loans Household Non-Earmarked YoY

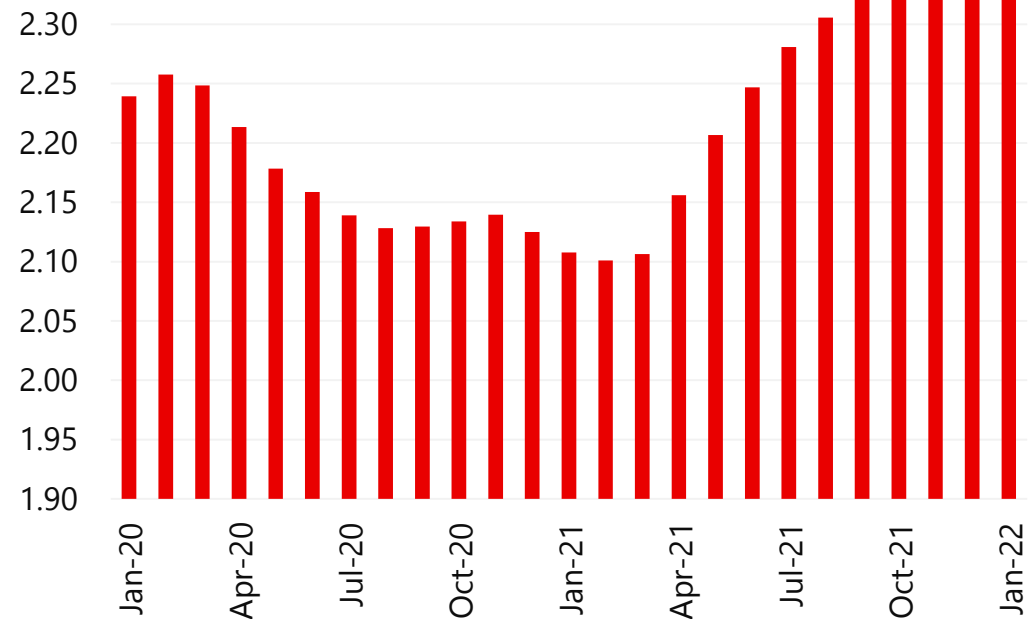


Sources: Brazilian Central Bank, Santander.

# Non-Earmarked new loans to families reinforcing the signs of reopening process

- The average of new loans grew 10.6% in 2021 compared to 2020.
- The average interest rate for non-earmarked new loan increased 6.7 p.p from January-21.

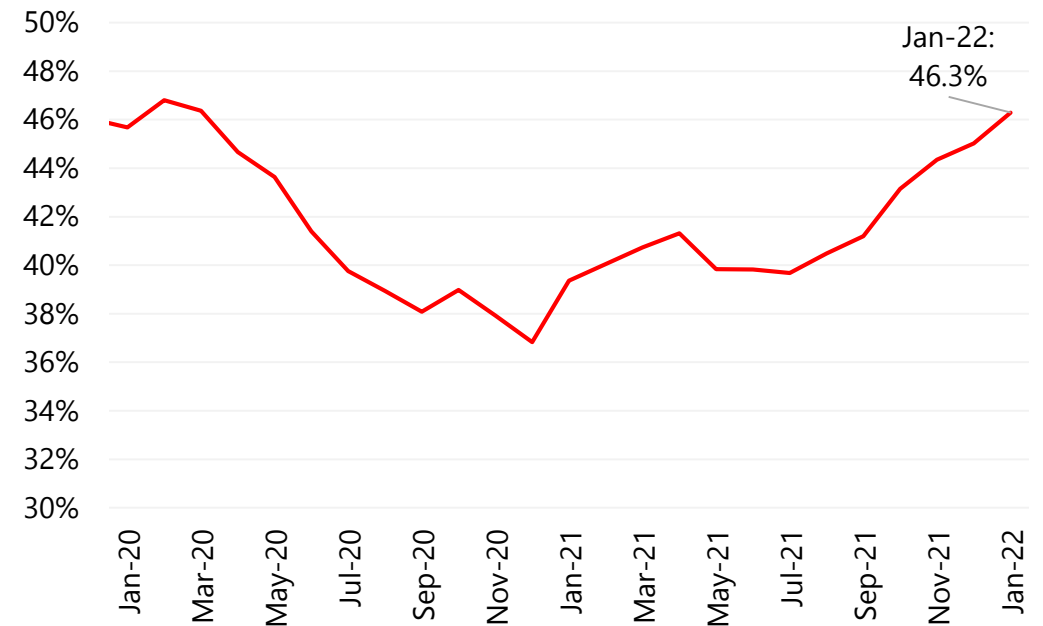
Non-Earmarked - New Loans\* - 12 months acum.



Sources: Brazilian Central Bank, Santander.

\* Millions, Inflation adjusted and seasonally adjusted

Non-Earmarked – Average interest rate (%p.y.)



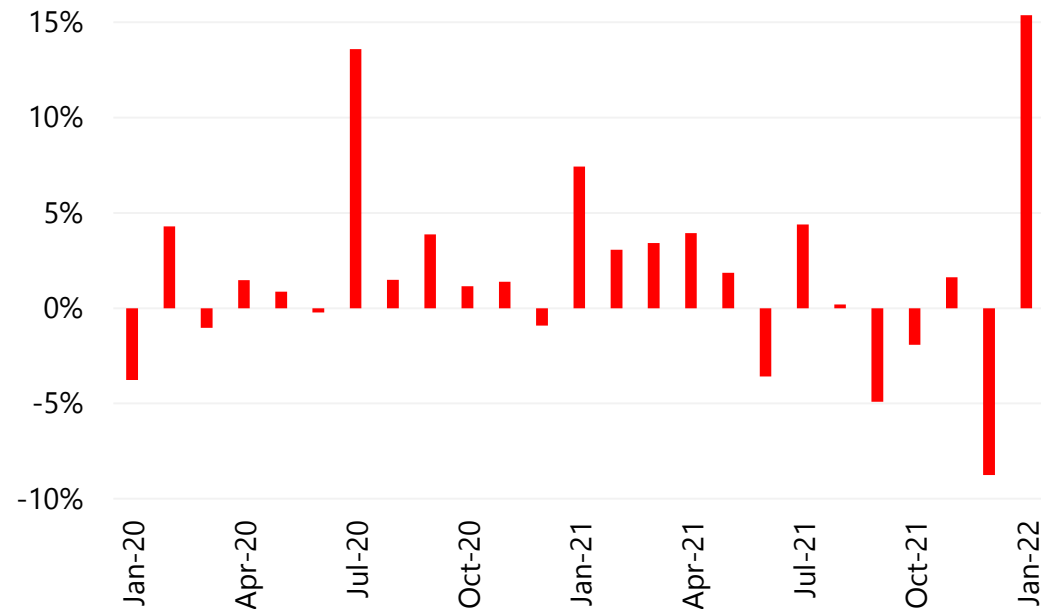
Sources: Brazilian Central Bank, Santander.



## Earmarked new loans remains high, though decelerating at the margin

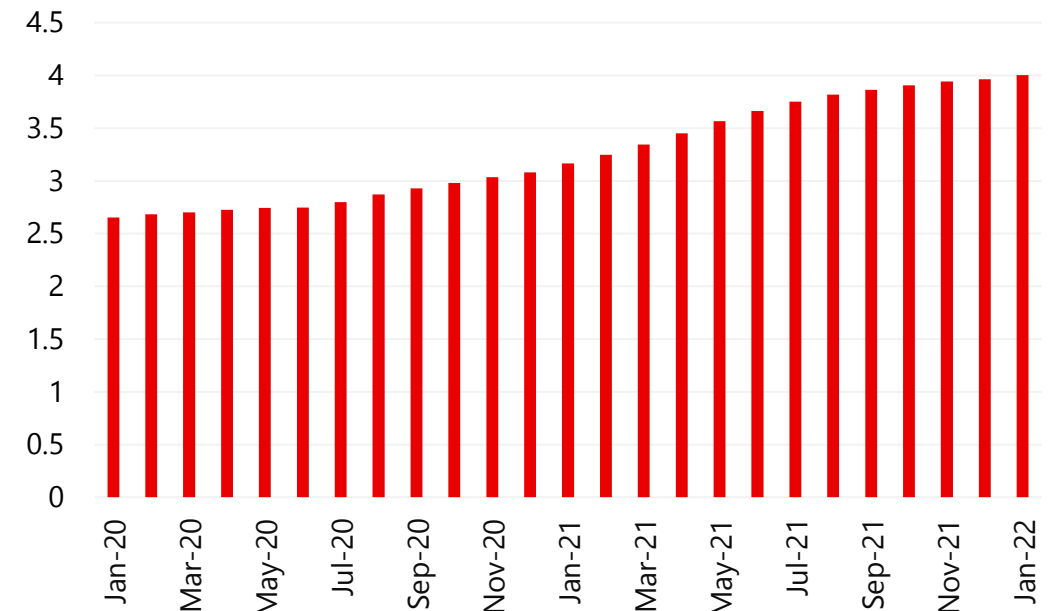
- For households, the earmarked segment posted an increase of 15.4% MoM-sa.
- New Loans accumulated for 12 months are at historic highs mostly due to the real estate financing.

### Earmarked - New Loans MoM



Sources: Brazilian Central Bank, Santander.

### Earmarked - New Loans\* - 12 months acum.



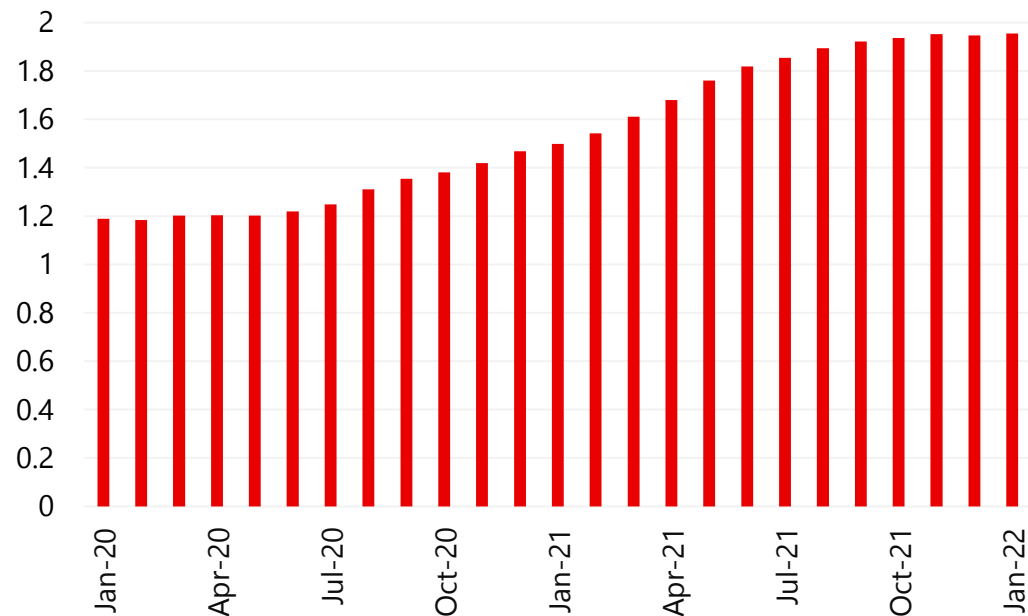
Sources: Brazilian Central Bank, Santander.

\* Millions, Inflation adjusted and seasonally adjusted

## Earmarked segment: warning sign for Real Estate

- After Real Estate Financing ends 2021 slowing down, with the first negative result (-3% YoY) since May-20, it starts 2022 with a positive figure.
- But it keeps decelerating at the margin (-20% MoM-nsa), mainly because of higher interest rates and economic uncertainty.

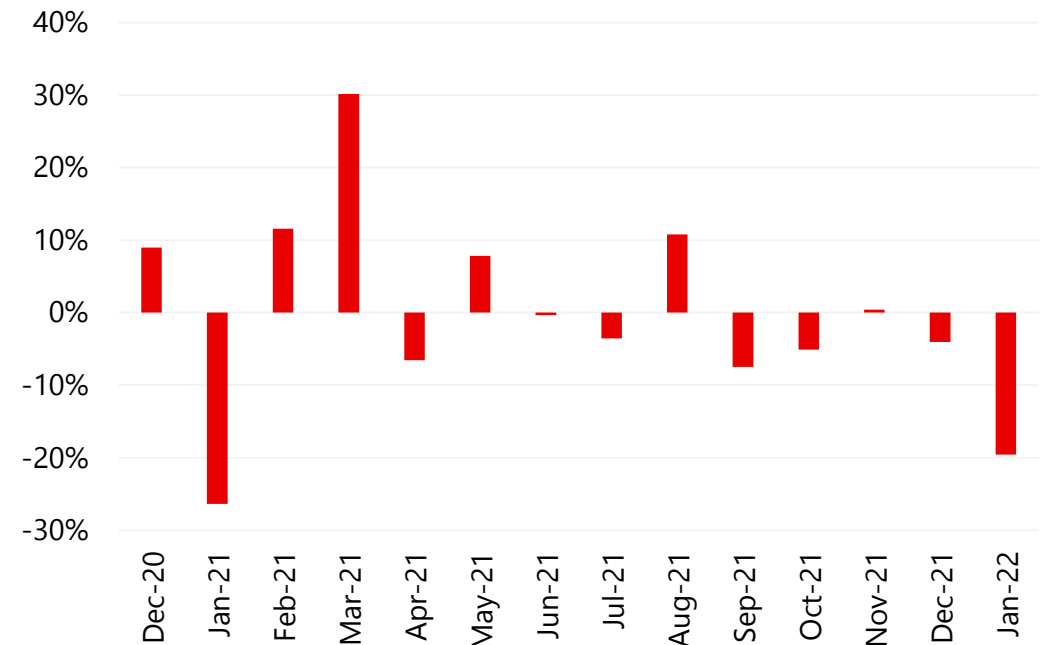
**New Operations – Earmaked - Real Estate Financing\* - 12 months acum.**



Sources: Brazilian Central Bank, Santander.

\* BRL thousands, inflation adj.

**Real Estate Financing - New Loans MoM**

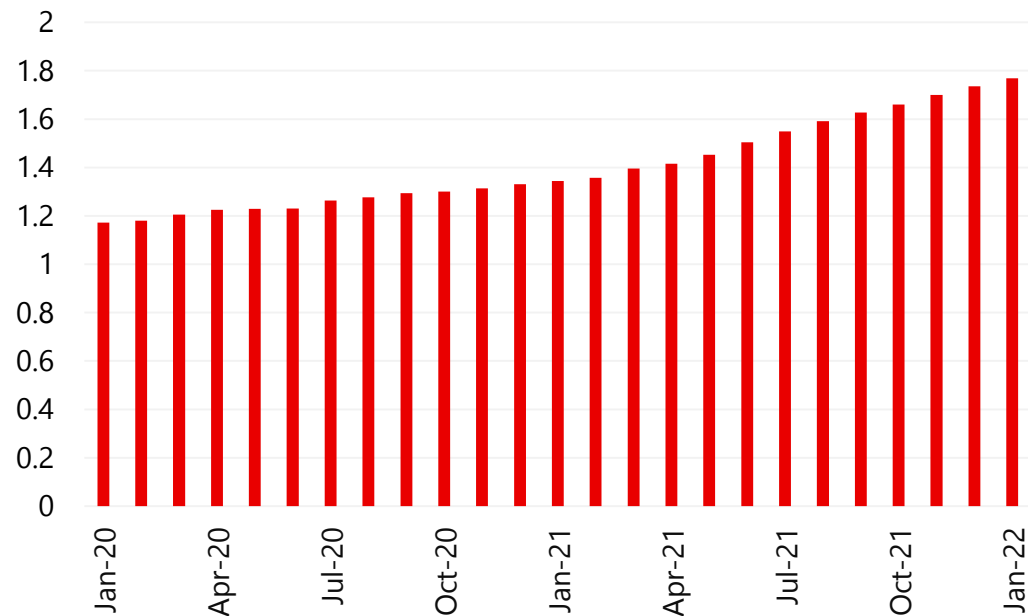


Sources: Brazilian Central Bank, Santander.

## Earmarked segment: Heated demand for Rural Credit

- Rural Credit remains high (45.5% YoY), reflecting favorable financial conditions
- But it's decelerating at the margin (30.3% MoM-nsa).

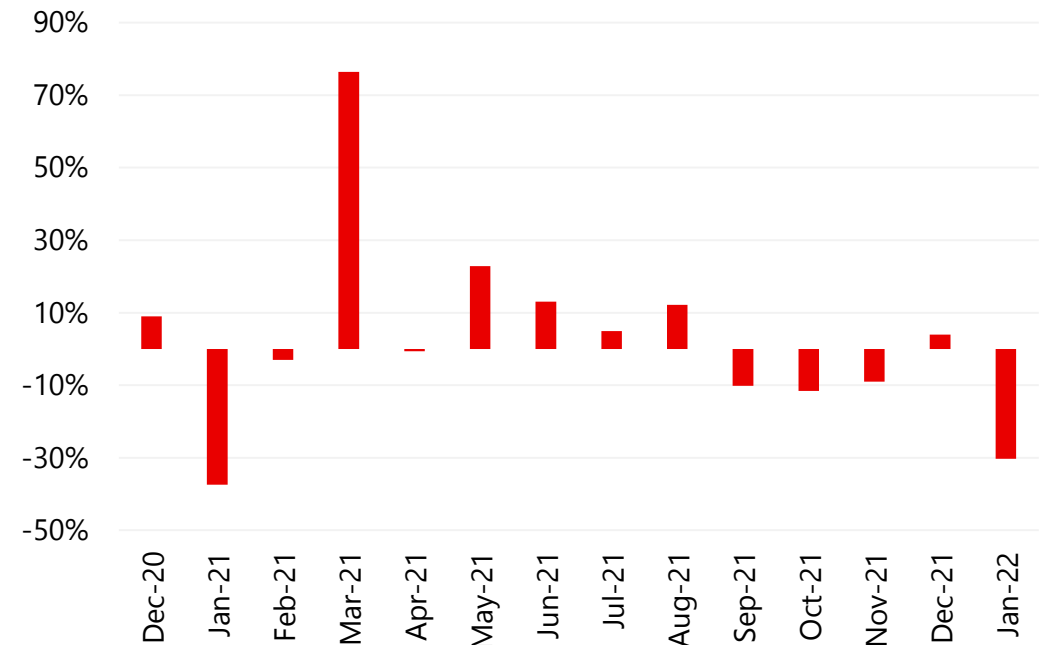
**New Operations – Earmarked – Rural Credit Total\* - 12 months acum.**



Sources: Brazilian Central Bank, Santander.

\* BRL thousands, inflation adj.

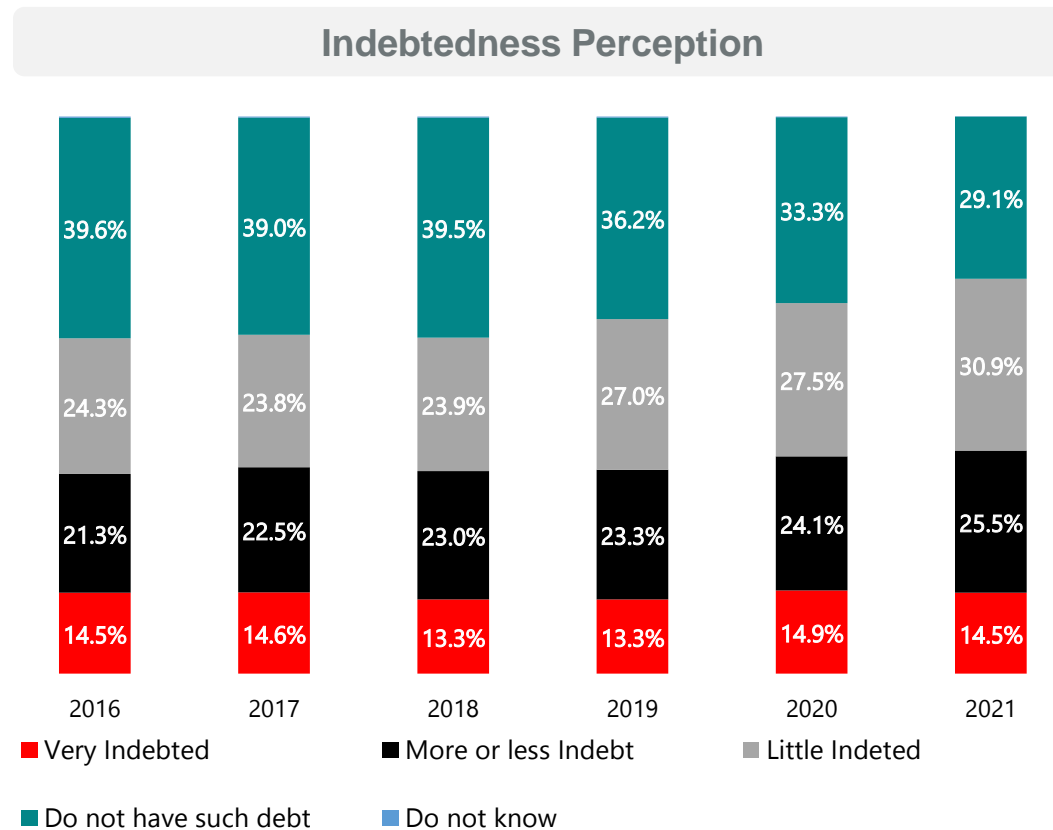
**Rural Credit - New Loans MoM**



Sources: Brazilian Central Bank, Santander.

# Indebtedness Perception

- The higher household debt service ratio among indebted families last year was not accompanied, however, by a worsening in the perception of families about their level of indebtedness.
- 2021 had the largest number of families with debt, but the perception of the level of indebtedness was more favorable than in 2020.

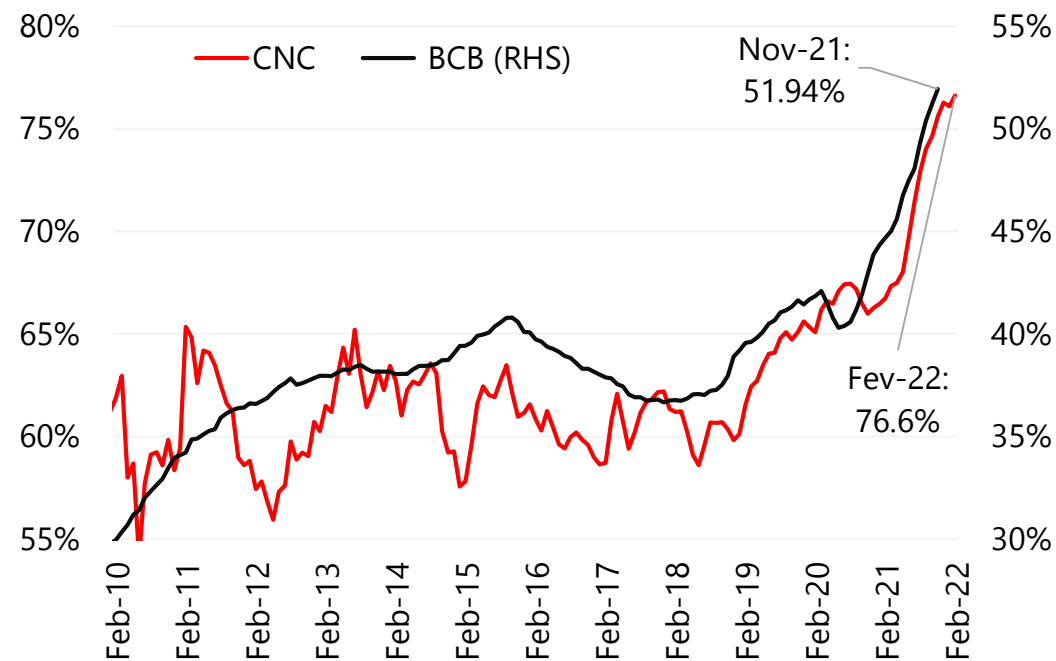


Sources: CNC, Santander.

# Families Indebtedness is the main (big) problem

- Household indebtedness keep rising fast, reaching the highest point in the series, 51.9% in November-21.
- The situation is getting worse due to the credit operations increasing and the household income stagnation.

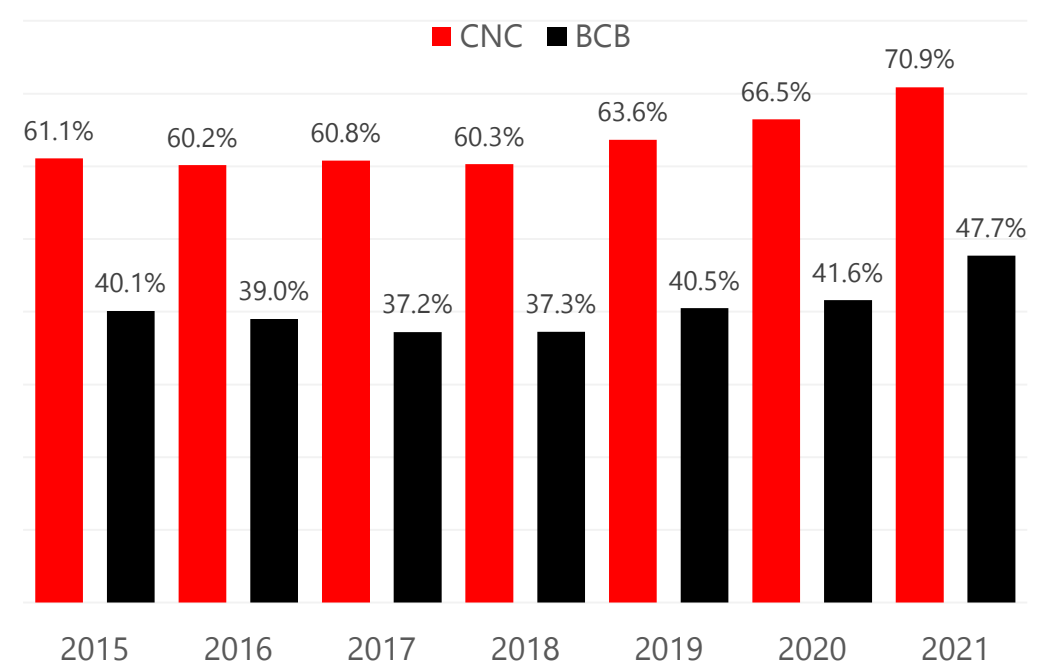
Extended household Indebtedness (%)



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).

Extended household Indebtedness (annual avg %)

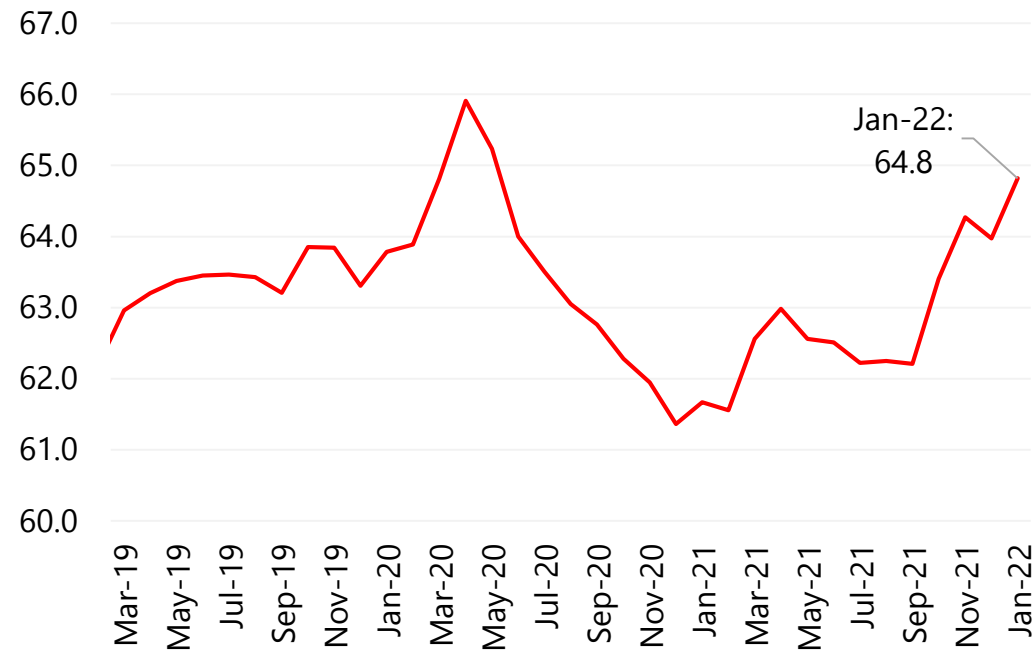


Sources: Brazilian Central Bank, CNC, Santander.

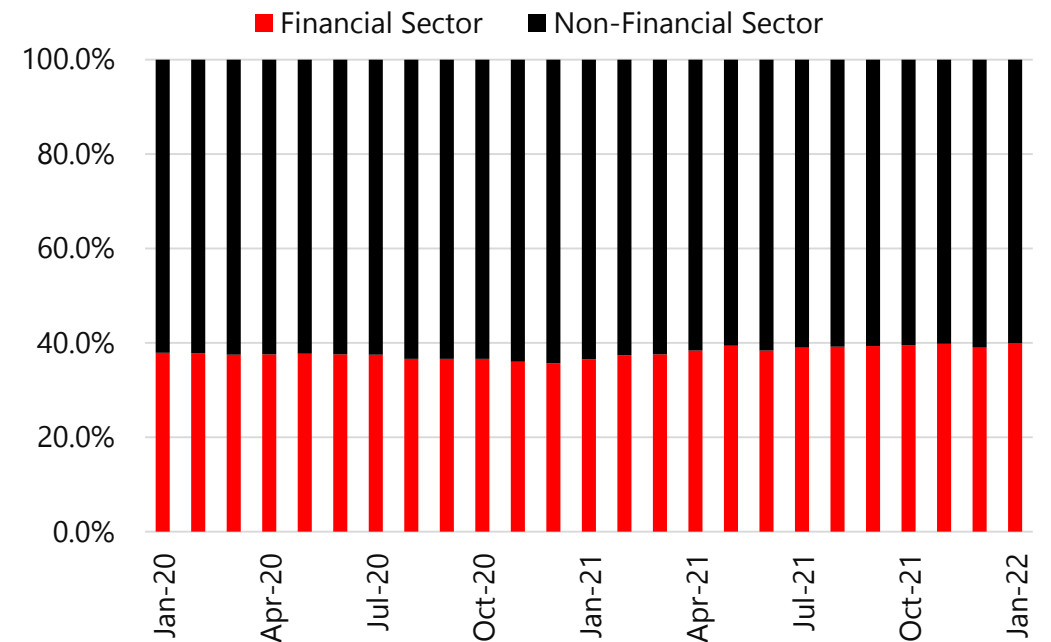
# Families Indebtednes: higher than the pre-pandemic level

- The number of delinquent consumers is higher than the pre-pandemic level (Feb-20: 63.9).

### Household Defaulting - Millions



### Total Default – By Sector

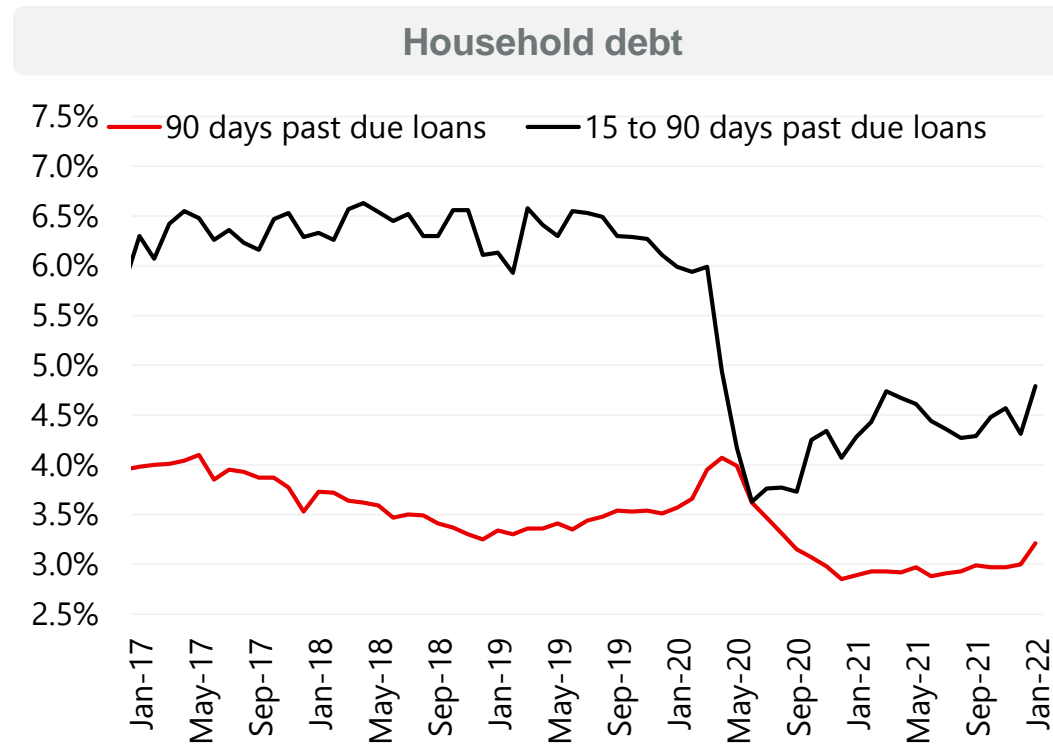


Sources: Serasa Experian, Santander.

Sources: Serasa Experian, Santander.

# Families Indebtednes: An upward trajectory for arrears

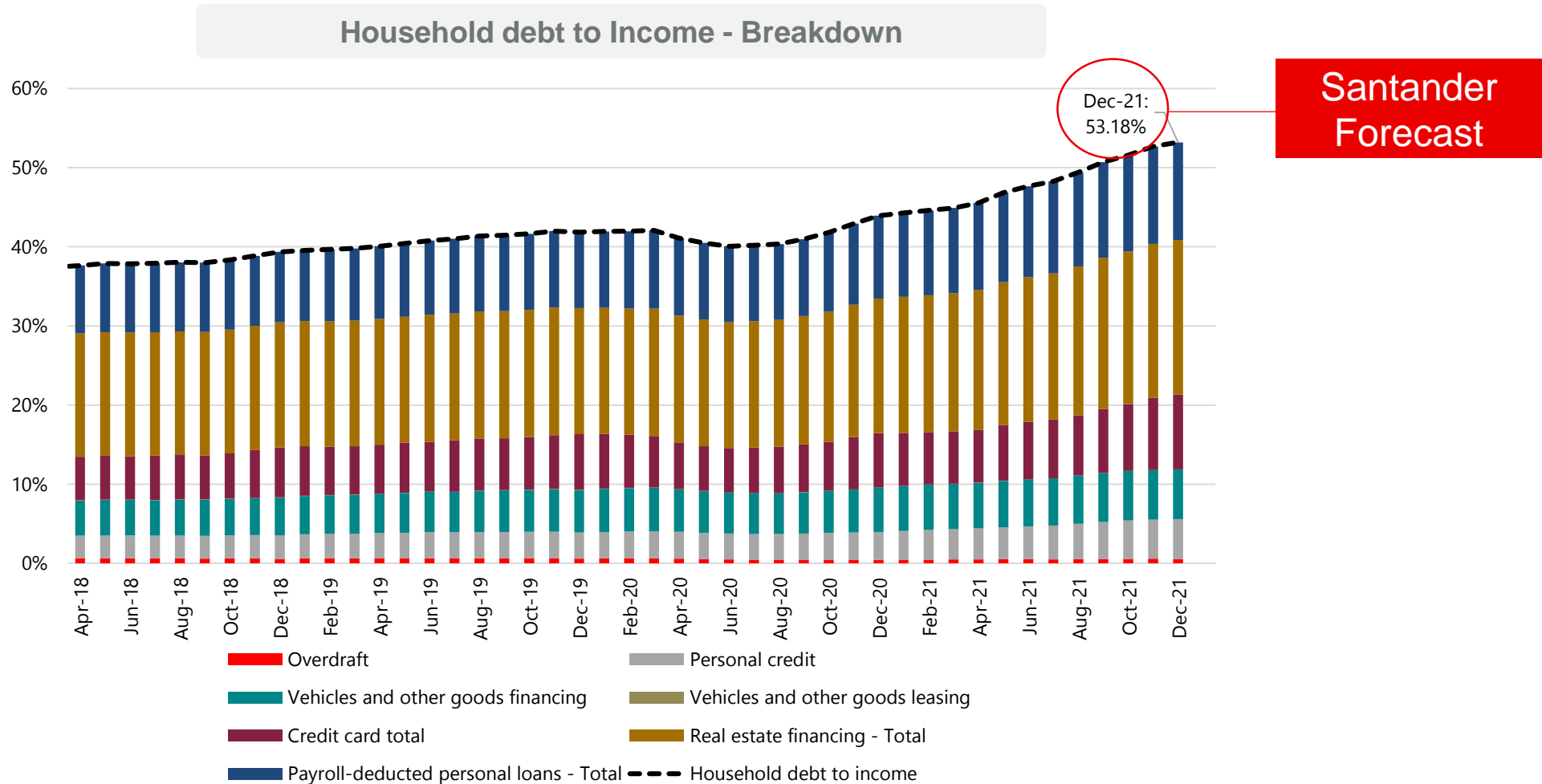
- The arrears is starting to give warning signs.
- However, the delinquent loans is still low.



Sources: Brazilian Central Bank, Santander.

# Families Indebtednes - Breakdown

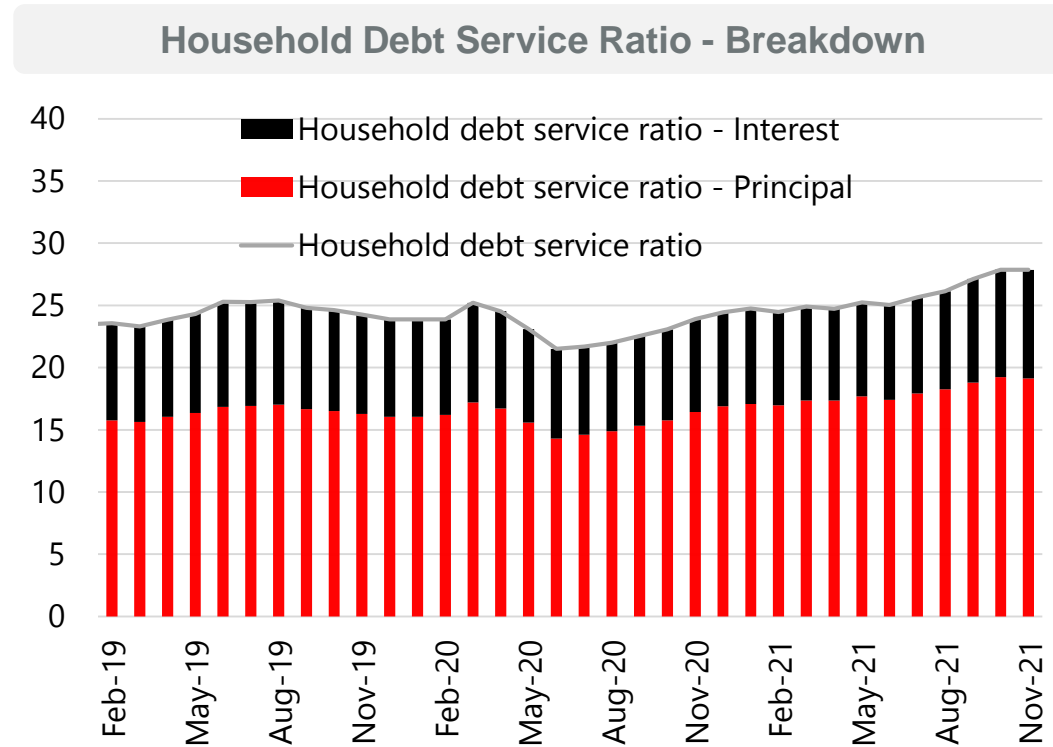
- A large part of Household debt to income is made up of: Real estate financing, Payroll-deducted personal loans and Credit card.





# Families Indebtednes - Breakdown

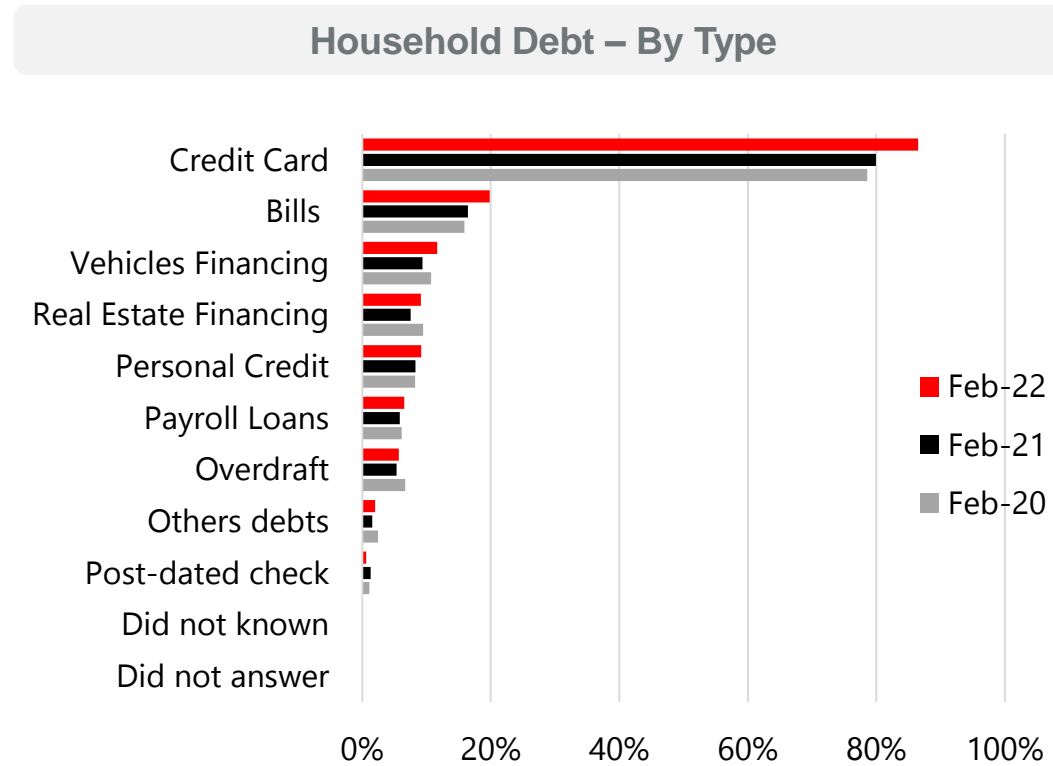
- Household debt to income ratio reached its peak in Nov-21 at 52%
- Household debt service ratio is higher than pre-pandemic levels



Sources: Brazilian Central Bank, Santander.

# Families Indebtednes – By Type

- More than 85% of families have Credit Card as a type of debt.

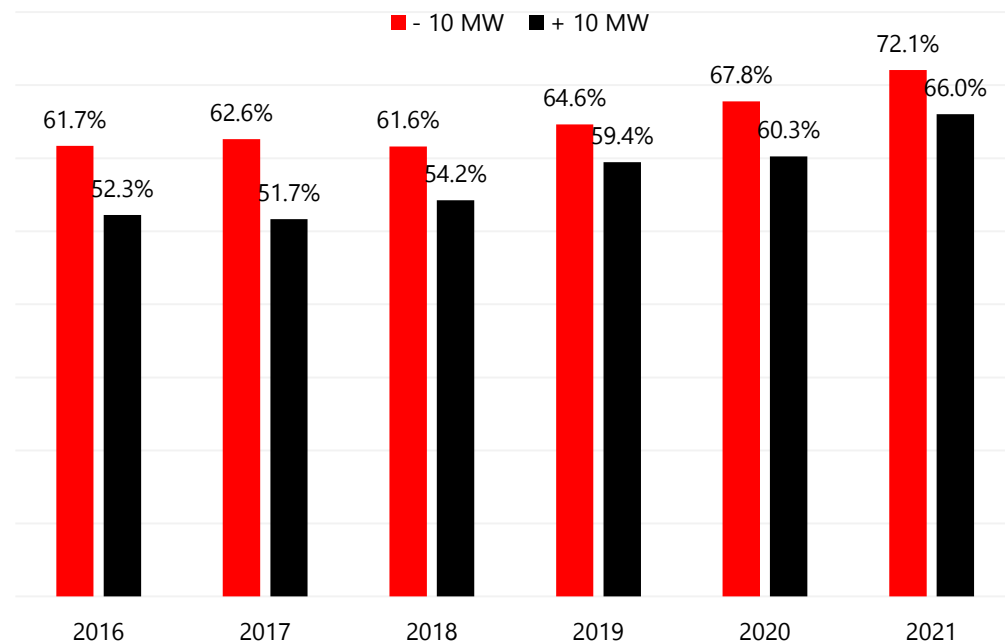


Sources: CNC, Santander.

# Families Indebtednes – by Income

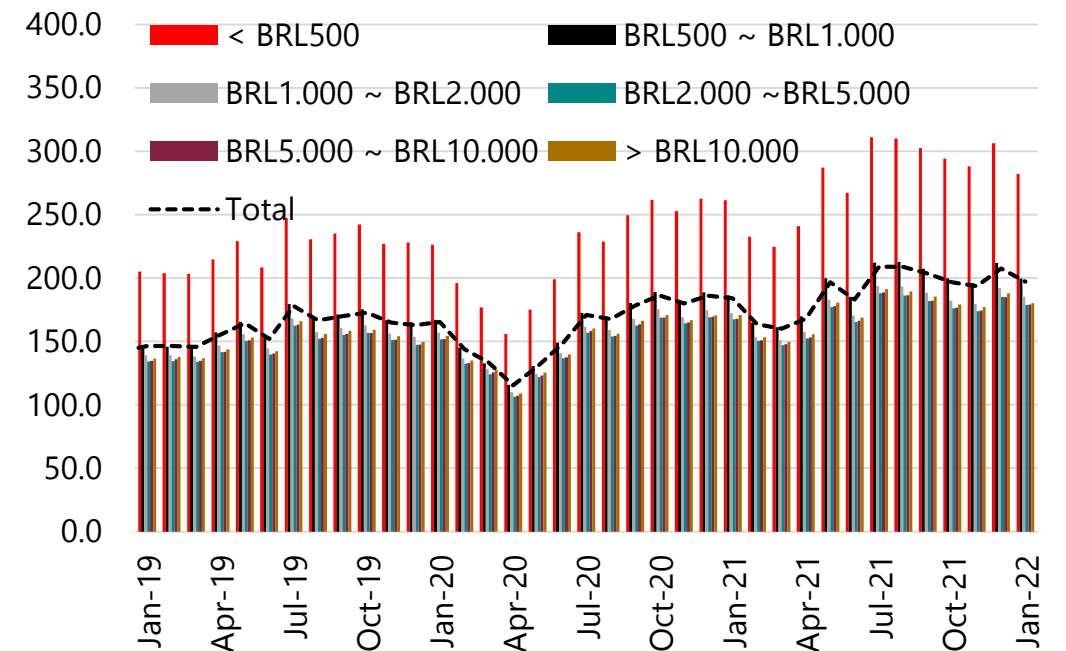
- More than 70% of families who earn less than 10 minimum wages have debts in 2021.
- They are the ones who have the most debt and also who demand the most credit.

Family's indebtedness – By Income



Sources: CNC, Santander.

Household demand for Credit – By Monthly Income Class

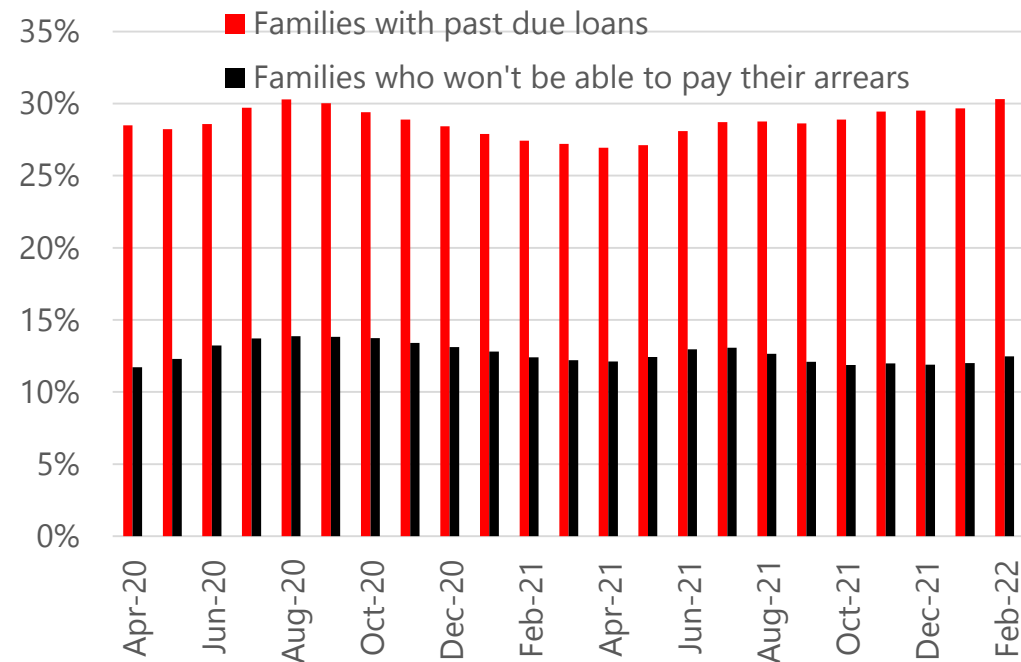


Sources: Serasa Experiean, Santander.

# Families Indebtednes – by Income

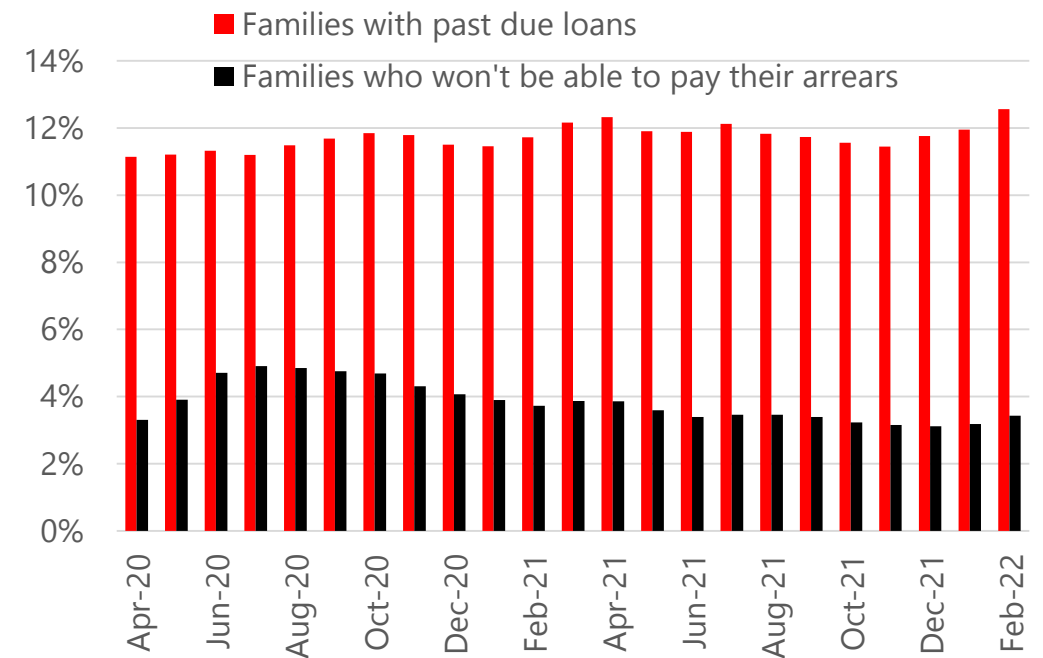
- For both types of families, delinquency has remained high, which represents a warning point

### Families who earn less than 10 minimal wage



Sources: CNC, Santander.

### Families who earn more than 10 minimal wage



Sources: CNC, Santander.

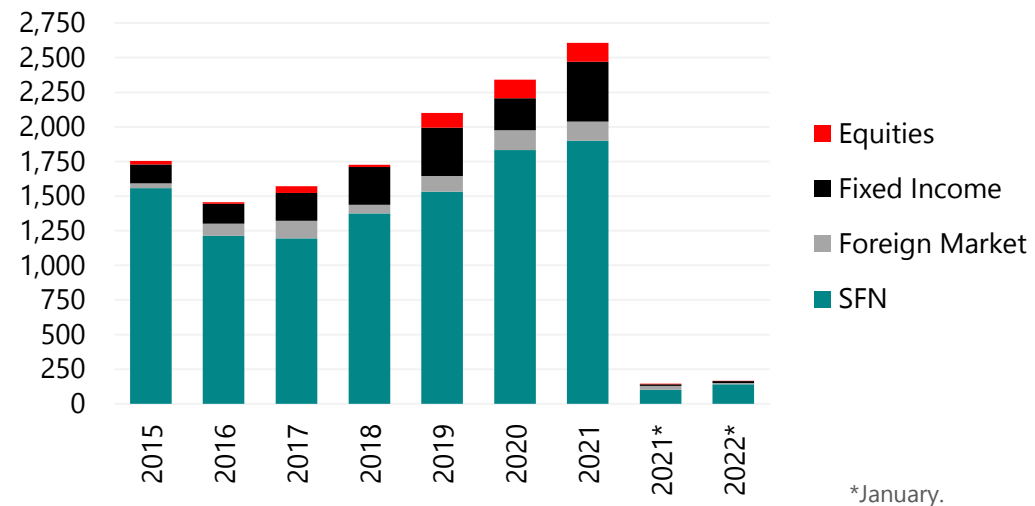
CORPORATE

03

## Bank lending above year-ago period

- Considering total corporate financing through January 2022 vs. the year-ago period, issuances in the capital markets are 12% lower, while SFN concessions are now up 38%.
- As a result, total corporate financing is up 12% compared to the year-ago period.

Total Corporate Financing (BRL billion, Inflation Adjusted)



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.

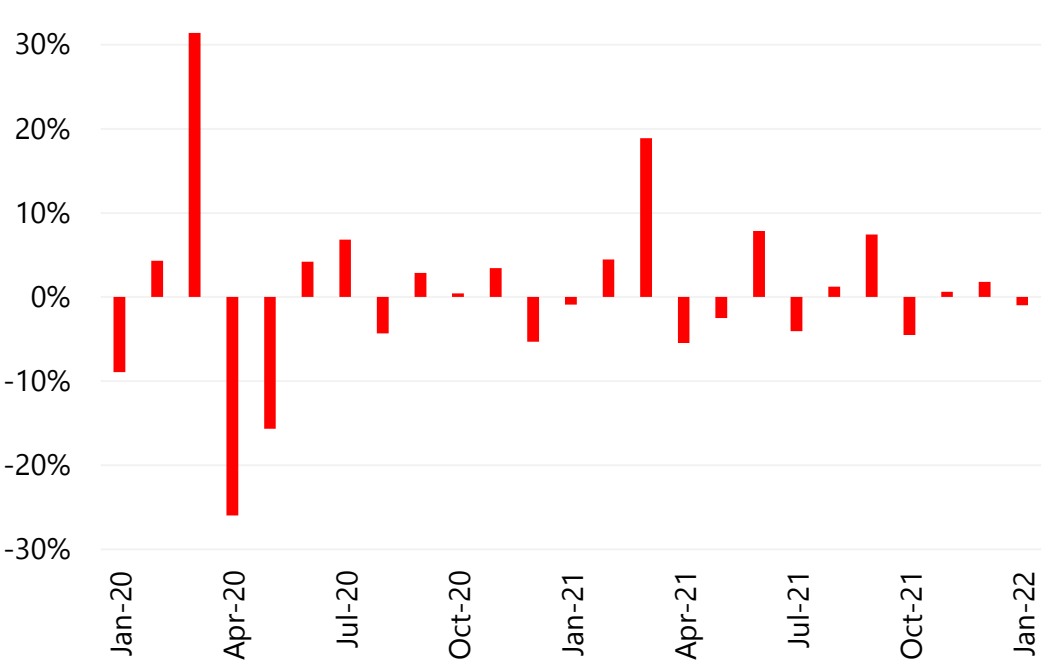
Equity - IPO and follow-on.

Sources: BCB, Anbima, Santander.

# The non-earmarked segmented

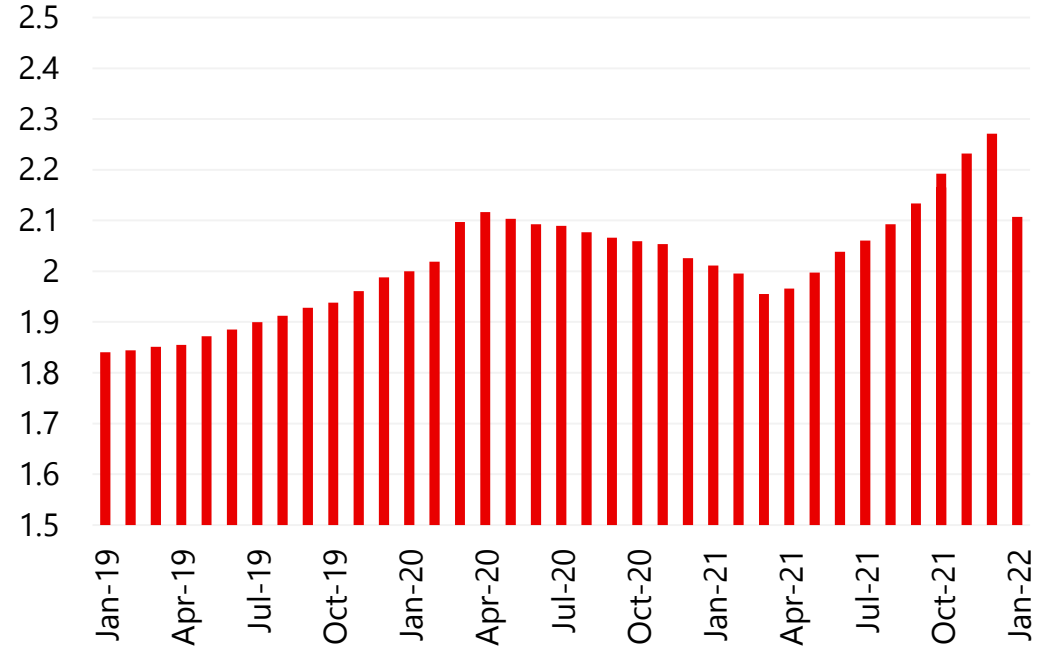
- For companies, the non-earmarked segmented posted a decrease of 1.0% MoM-sa.
- As YoY, the segment showed a growth of 19.5% YoY.

**Non-Earmarked – New Loans MoM\***



Sources: Brazilian Central Bank, Santander.  
\* Inflation Adjusted

**Non-Earmarked - New Loans\* - 12 months acum.**

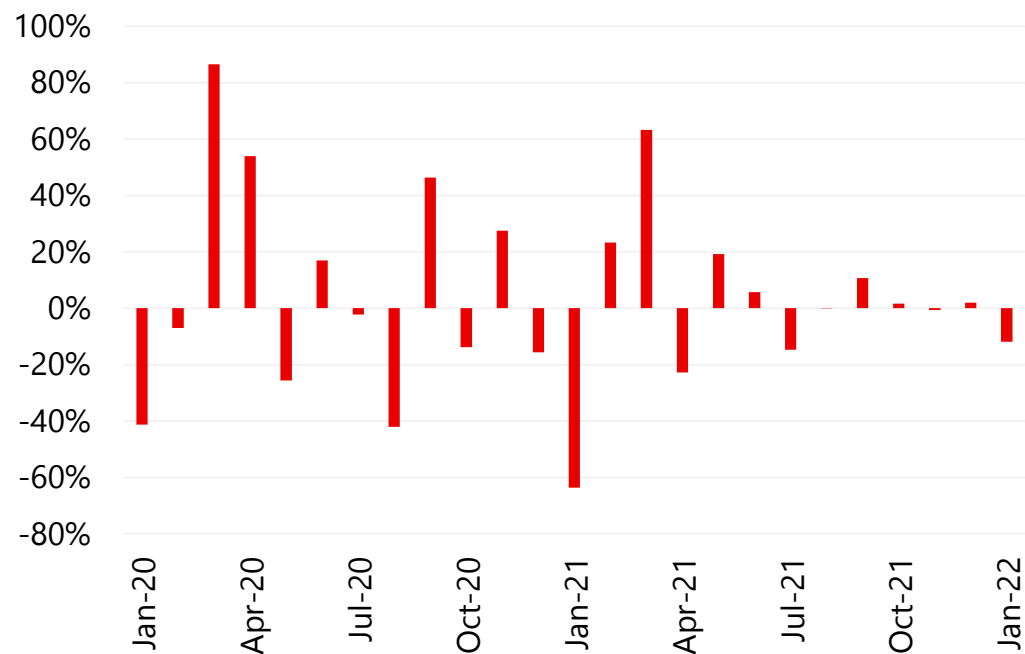


Sources: Brazilian Central Bank, Santander.  
\* Inflation Adjusted

# Movement in Working Capital

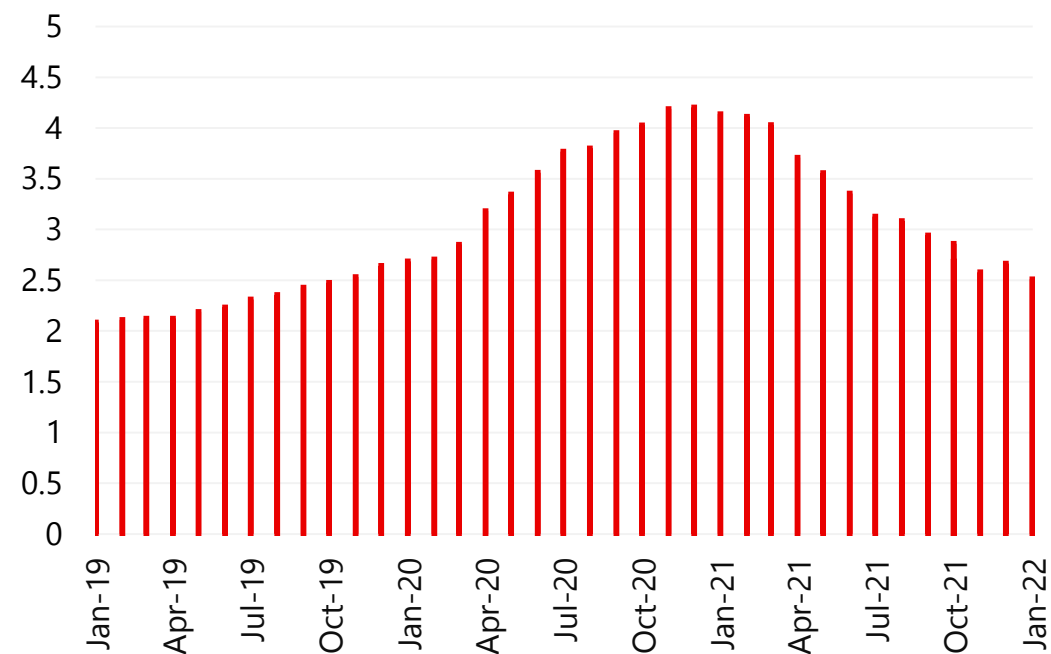
- Working Capital showed a decrease of 12% MoM-nsa.
- Working Capital presented the first positive annual variation since Jan/21, 68% YoY

**New Loans – Working Capital MoM\***



Sources: Brazilian Central Bank, Santander.  
\* Inflation Adjusted

**New Loans – Working Capital 12 months acum.**

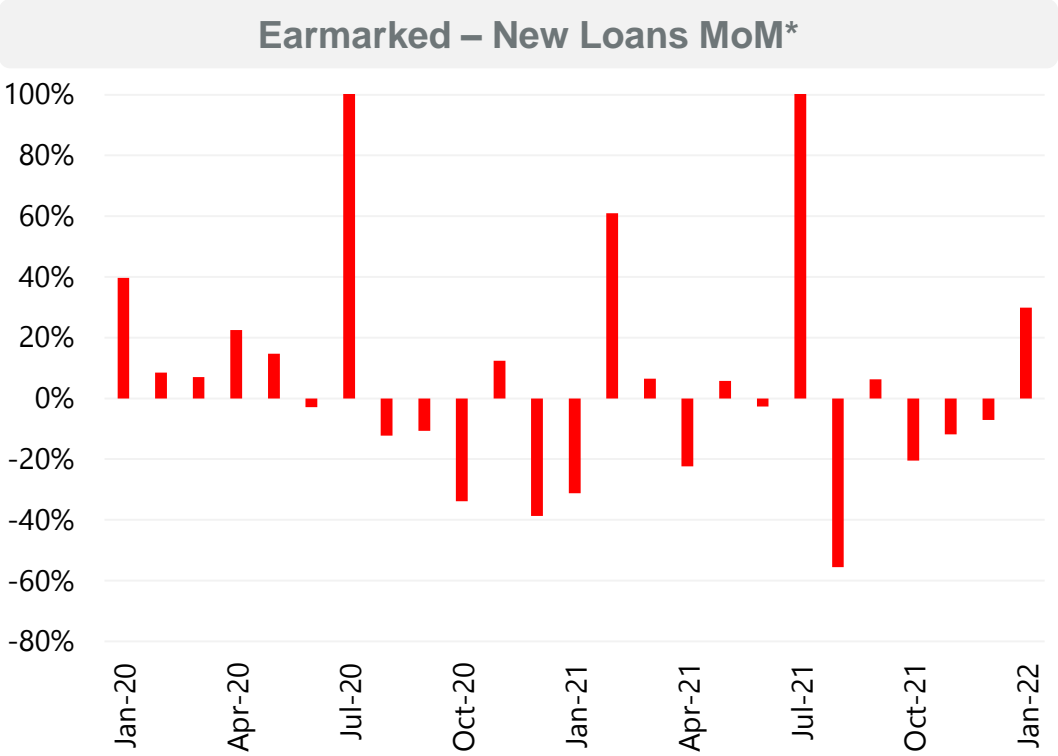


Sources: Brazilian Central Bank, Santander.  
\* Inflation Adjusted

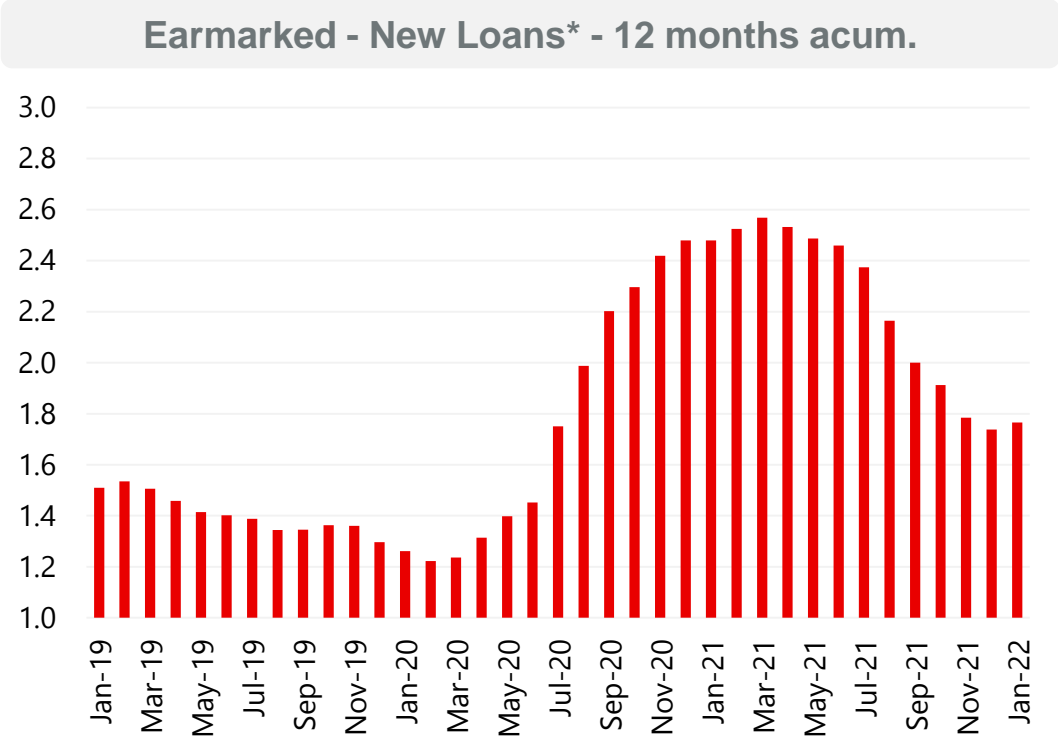


# An increase in the earmarked segmented

- For companies, the earmarked segmented posted a significant increase of 30% MoM-sa.
- As YoY, the segment presented the first positive variation since April/21, +28% YoY



Sources: Brazilian Central Bank, Santander.  
\* Inflation Adjusted

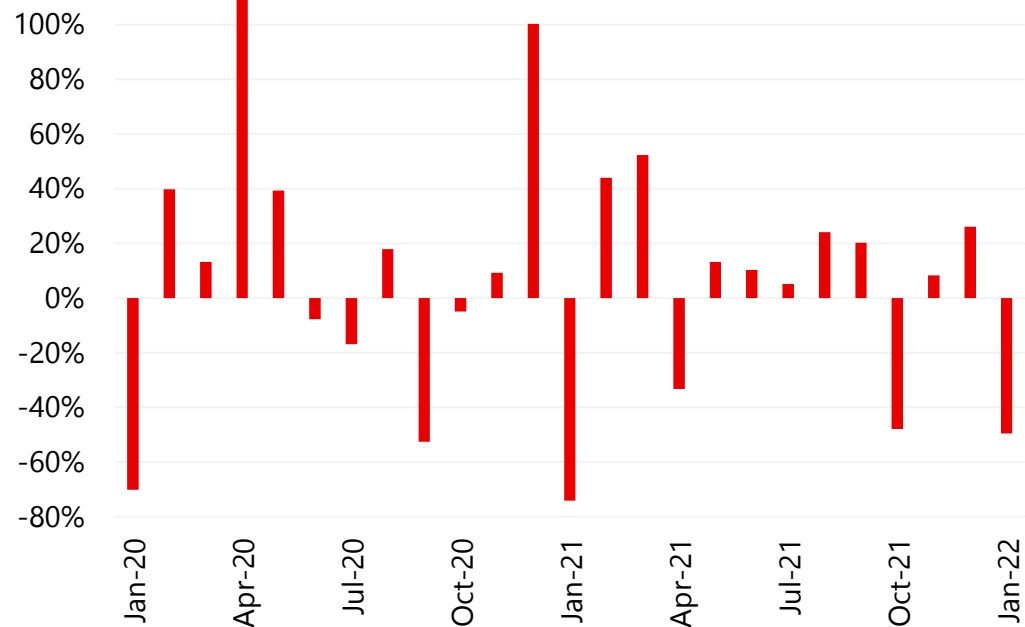


Sources: Brazilian Central Bank, Santander.  
\* Inflation Adjusted

## BNDES Funds and Others stood out

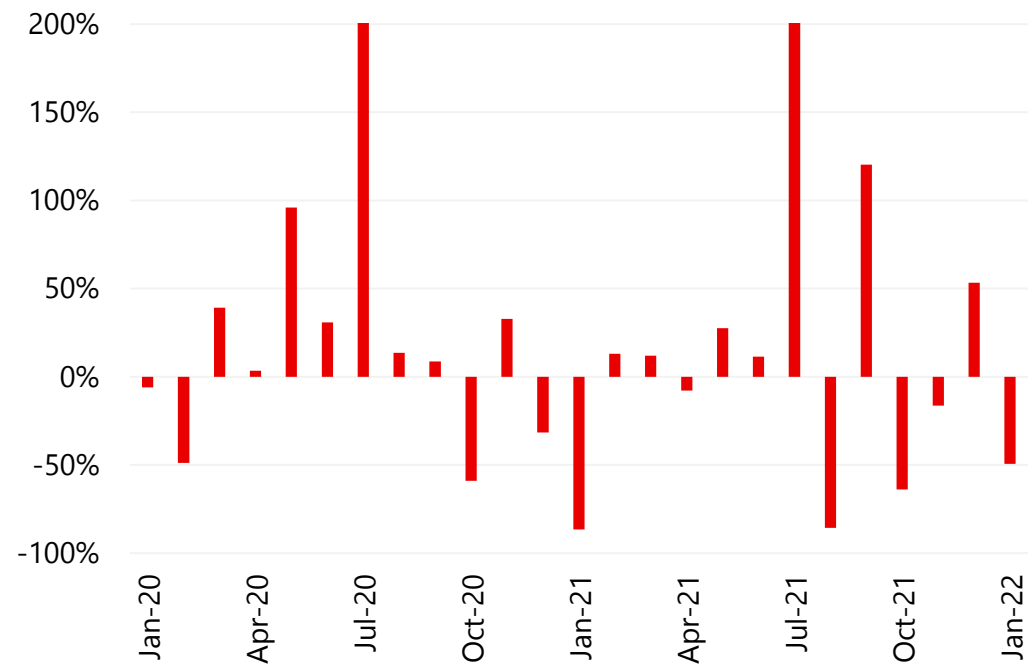
- In the earmarked segmented, BNDES funds posted a negative variation (-49.6% MoM-nsa).
- Others showed a negative figure (-43.3% MoM-nsa) after December result (53.3% MoM-nsa).

BNDES Funds - New Loans\* MoM



Sources: Brazilian Central Bank, Santander.  
\* Inflation Adjusted

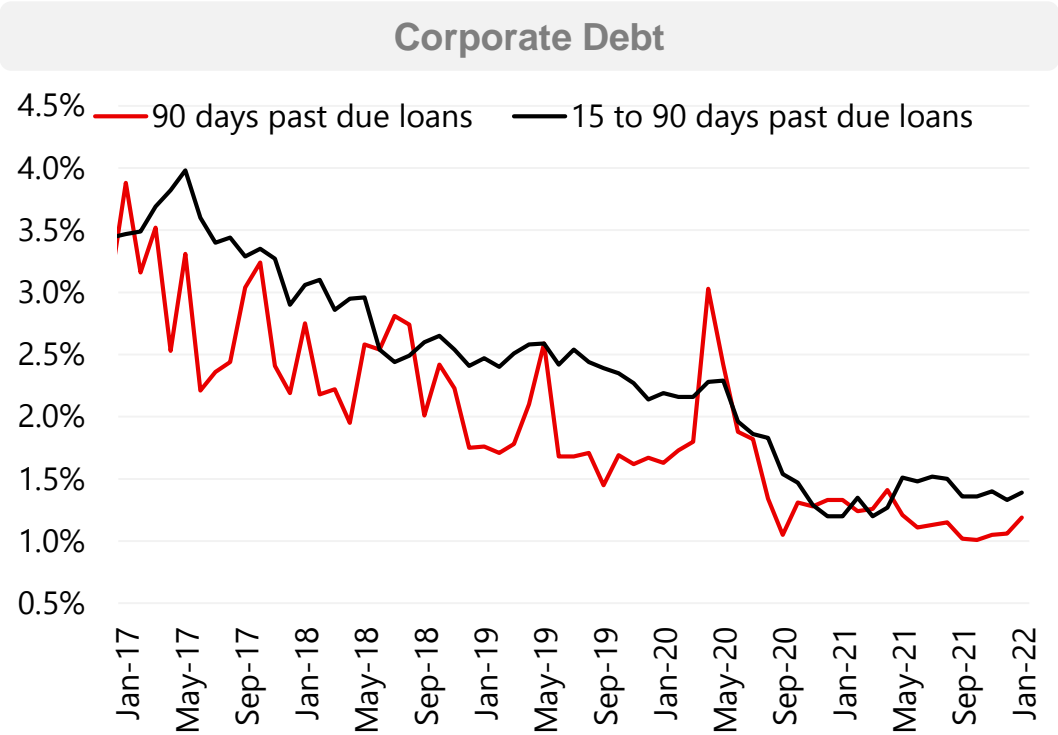
Others – Others\* MoM



Sources: Brazilian Central Bank, Santander.  
\* Inflation Adjusted

# A slight upward trajectory for arrears

- o Eyeing arrears to anticipate warning signs

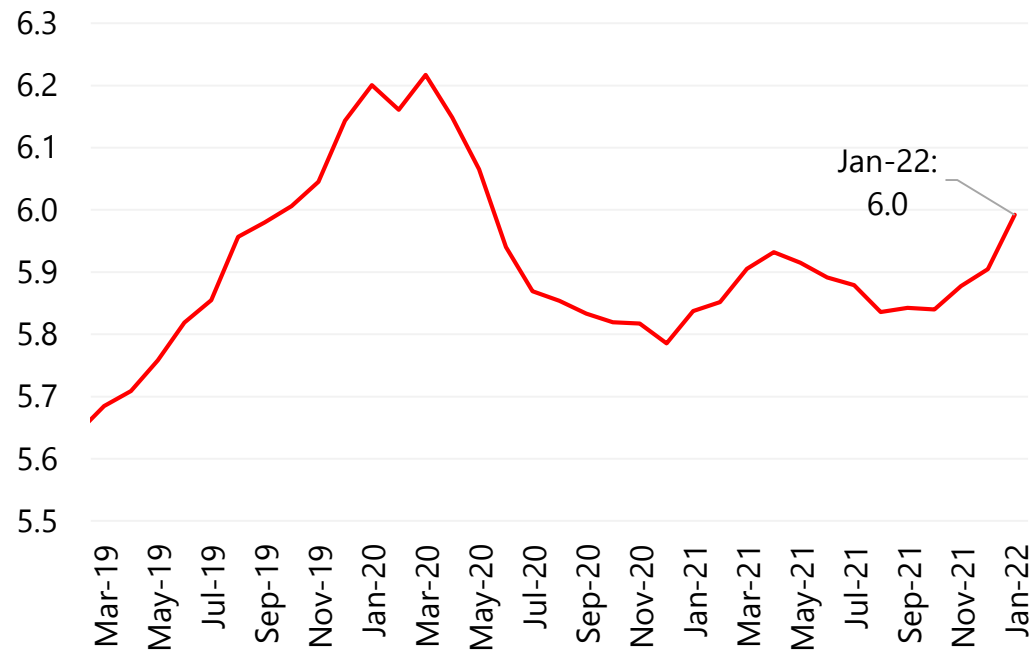


Sources: Brazilian Central Bank, Santander.

# Corporates defaulting: starting the year worst

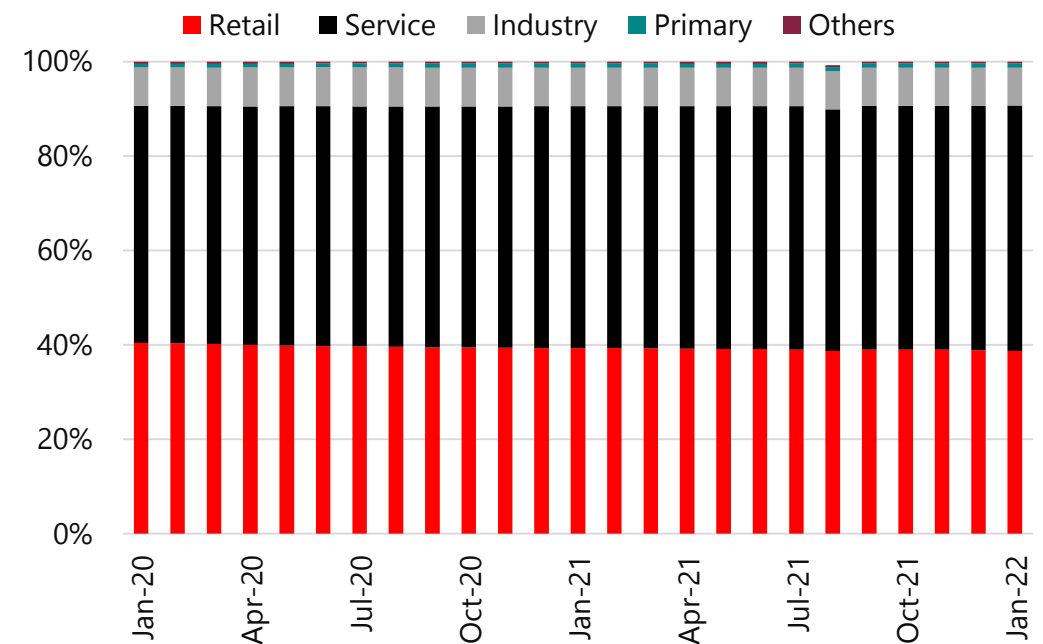
- The number of defaulting companies reached 6.0 million, (2021: around 5.8-5.9 million).
- Retail and Service sectors are the most sectors that have default

Corporate Defaulting - Million



Sources: Serasa Experian, Santander.

Total Default – By Sector

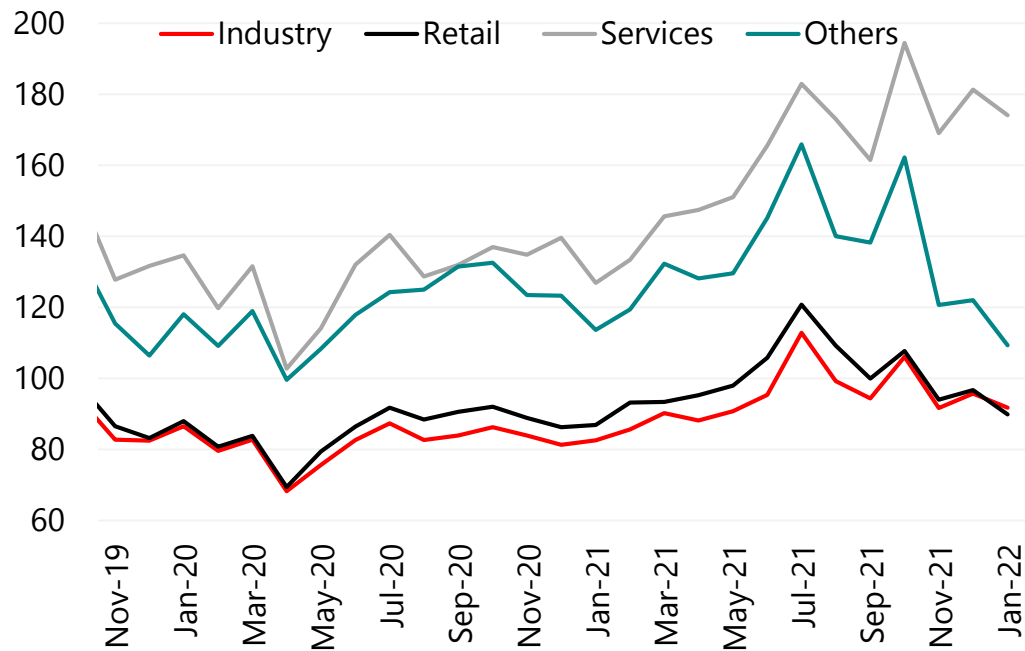


Sources: Serasa Experian, Santander.

# Services demand for Credit

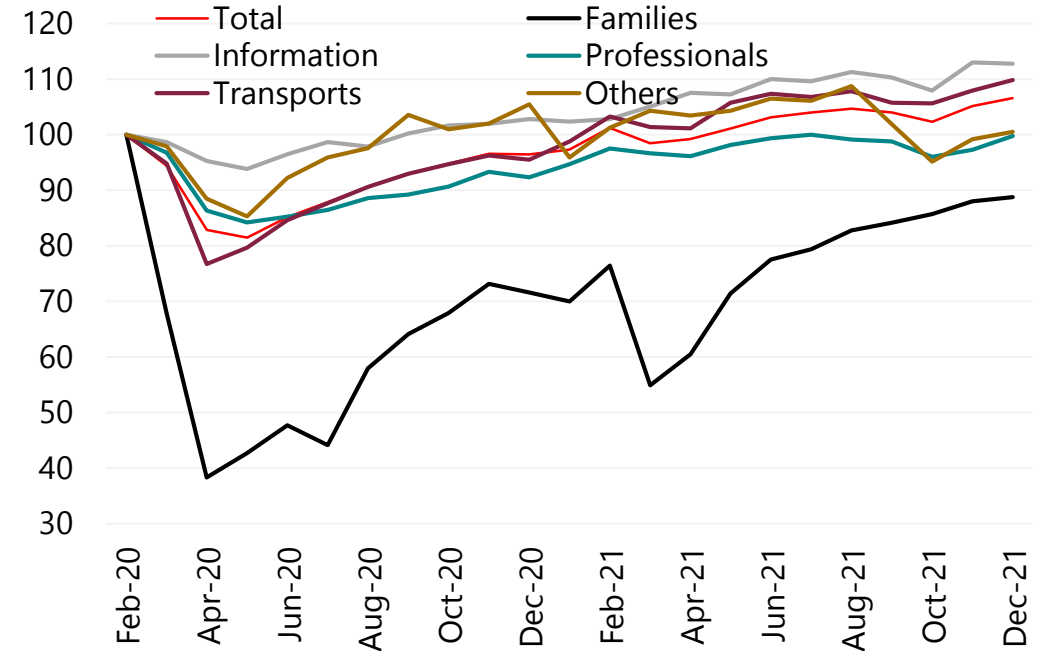
- After being the sector that suffered the most, and consequently, the one that demanded the most credit – the Service sector showed a recent improvement (as a lower credit demand).
- This is, probably, due to the economy reopening. From which the service sector is still expected to profit.

Corporate demand for Credit – by Sector



Sources: Serasa Experian, Santander.

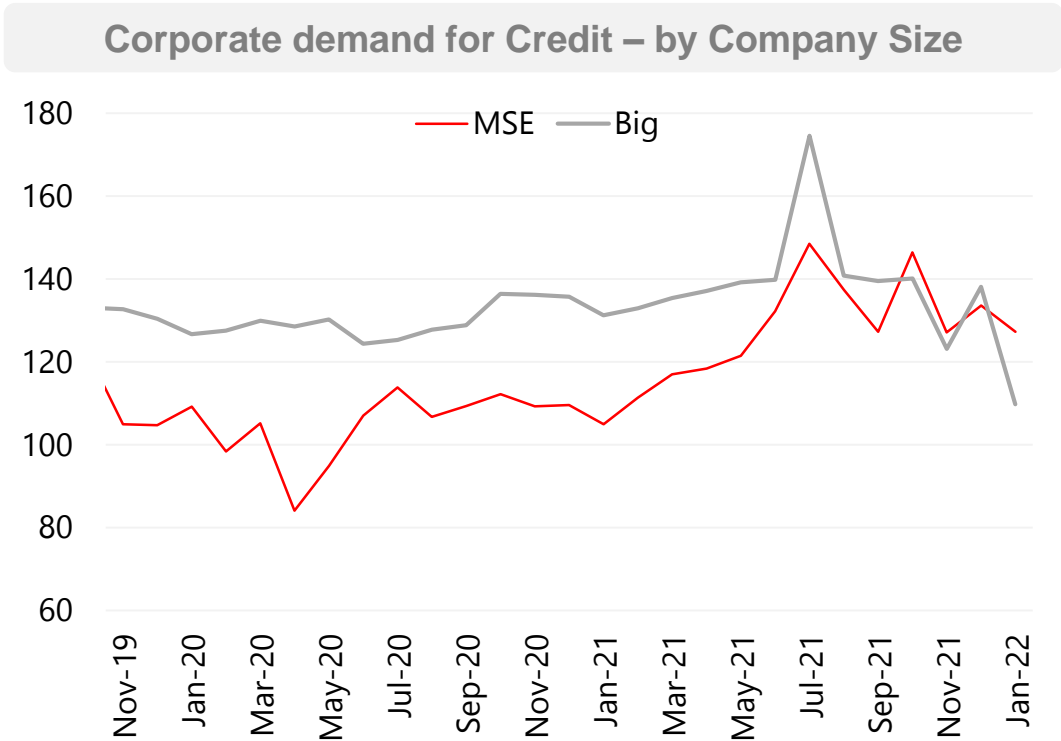
Services Breakdown (sa, Feb/20=100)



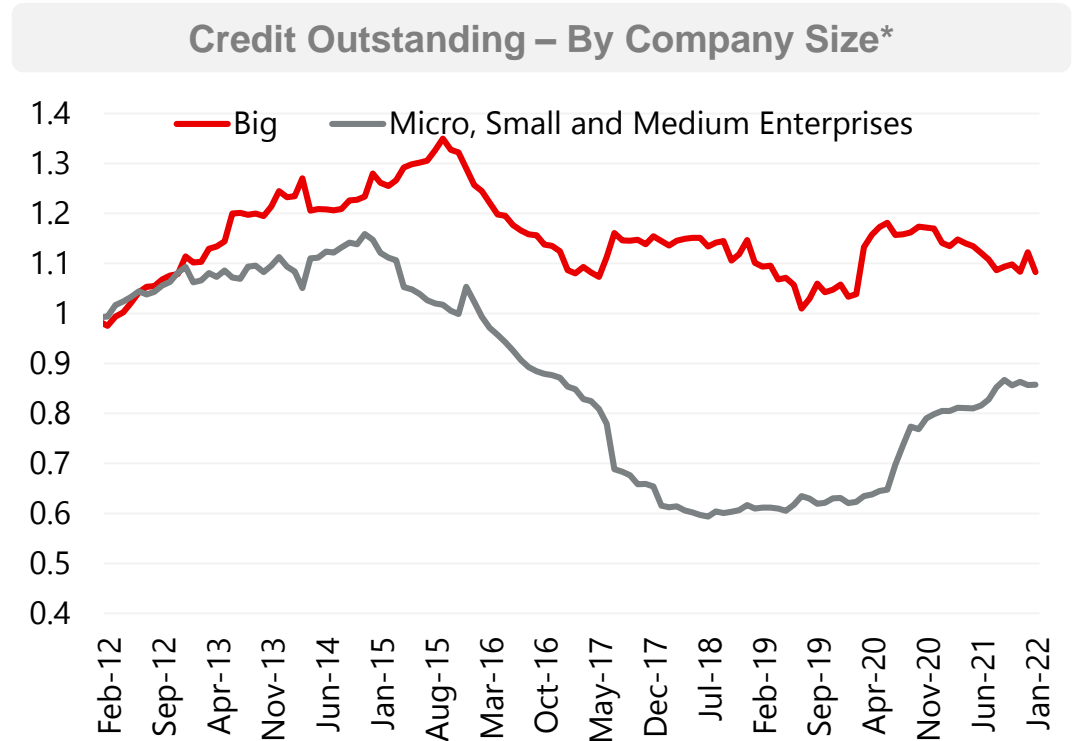
Sources: IBGE, Santander.

# Corporate demand for Credit

- Micro and Small Enterprises (MSE) are increasing their demand for credit. Big companies are decreasing.



Sources: Serasa Experian, Santander.



Sources: Brazilian Central Bank, Santander.

\* BRL million and Inflation adjusted.

# 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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