

Banks - Brazil

Nice start of '24 for consumer lending; corporate remained pressured

Industry Overview

Key takeaways from January BCB data

The Brazilian Central Bank reported credit figures for January. The data suggests an improving environment for consumer lending, with: i) credit origination growth acceleration, ii) indebtedness continued to trend down, reaching the lowest levels since mid '21 and iii) consumer NPL remained flattish MoM, despite the negative seasonality in January. On the other hand, corporate credit growth and NPLs deteriorated. Finally, spreads continued to trend down, reflecting lower interest rates.

#1- Strong origination led by the consumer segment

Seasonally adjusted credit origination remained strong and increased 12% YoY. Growth was led by individuals at 16%, while corporates expanded 8%. Auto (+41%), installment on credit cards (+35%) and personal loans (+24%) led the consumer credit, while revolving credit cards (-2%) and mortgages (flat YoY) were the main drags. Exhibit 1-3.

#2- Weaker corp. growth, offset stronger consumer

Total loan portfolio growth expanded 8% YoY, same pace seen over the last months, as weaker trends on the corporate portfolio (+4%) offset robust consumer credit growth (+10% YoY). Public sector banks growth kept the same pace seen since Sep '23 (+10% YoY), and continued to outpace private sector banks (+6%), that have been on a downtrend since Apr '22. Exhibit 7 and 8.

#3- A pause on NPL improvement

Individuals NPL improvement trend seen since Jun '23 of c.10bp per month didn't take place in Jan '24, and it remained flattish MoM at 3.7%. We note that January seasonality (tax payments concentration and Christmas credit card bill) could have influenced. Private payroll loans NPL increased 30bp MoM, while overdraft loans improved 60bp. Corporate NPL increased 10bp MoM to 2.6%. NPL deteriorated 10bp MoM on all banks clusters, public sector, national and foreign private. Exhibit 4 and 10.

#4 - Spreads: consumer down, corporates up

Consumer spreads shrunk for the 8th consecutive month (-100bp MoM), likely reflecting the repricing of lending rates following the cuts in Selic and banks conservative risk approach. Corporate spreads increased 90bp MoM, rebounding from the 60bp decrease in Dec '23. Exhibit 5.

#5- Improving indebtedness trends

Household indebtedness remains high, but it once again showed some improvement (-20bp MoM) and is currently at 48%, vs. the all-time high of 50.1%. We expect indebtedness level to keep improving as banks have been deleveraging their loan books and are monitoring closely this indicator to trigger credit origination. Exhibit 6.

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BCB - Brazilian Central Bank
NII - net interest income
NPL - non-performing loans

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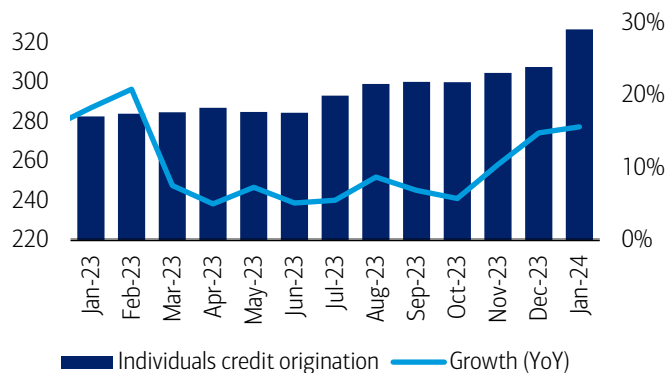
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January data

Exhibit 1: Consumer credit origination (R\$b)

Consumer credit origination growth maintained a robust pace

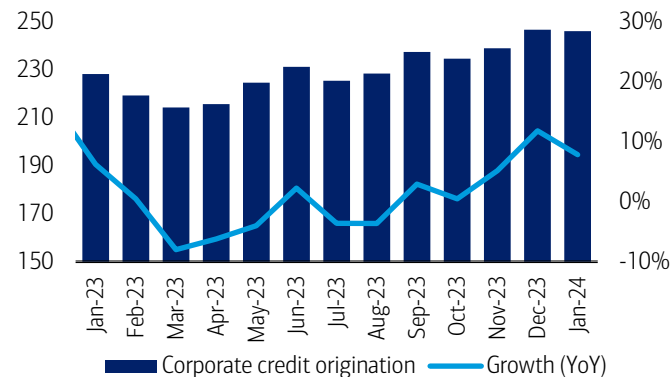


Source: BCB, BofA Global Research

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Exhibit 2: Corporate credit origination (R\$b)

Corporate credit origination growth decelerated

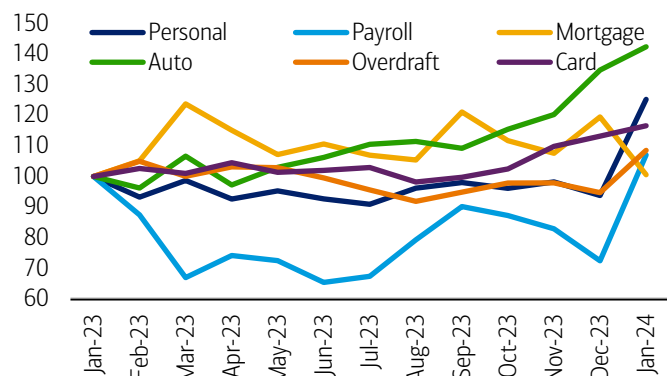


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Exhibit 3: Consumer credit origination (Jan24=100)

Consumer origination led by auto, personal loans and credit cards

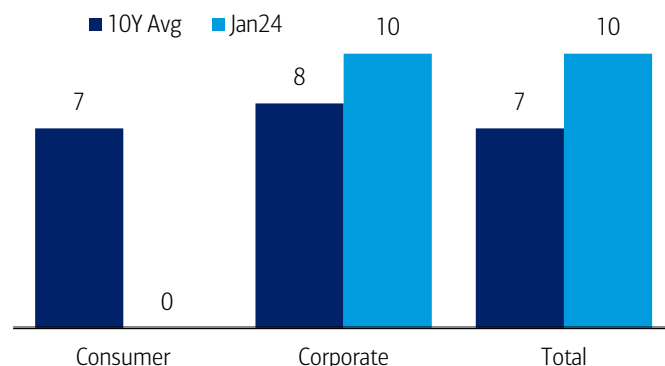


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Exhibit 4: NPL ratio change MoM vs historical change in January

Consumer NPL remained flattish, despite negative seasonality

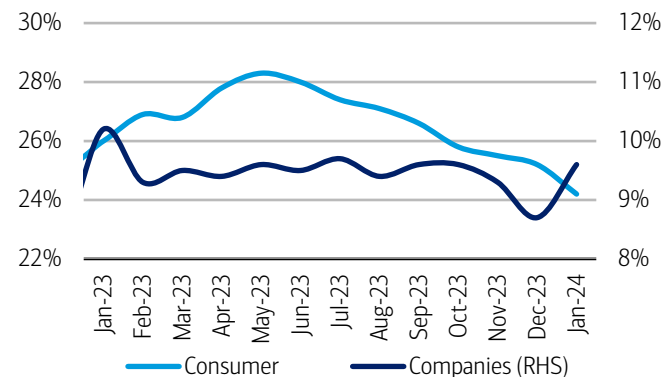


Source: BCB, BofA Global Research

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Exhibit 5: Lending spreads (%)

Consumer spreads have declined, reflecting repricing of loans

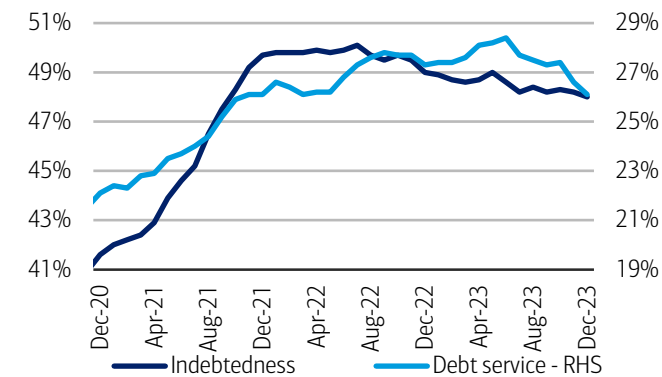


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Exhibit 6: Indebtedness and debt service

Indebtedness and debt service trending down



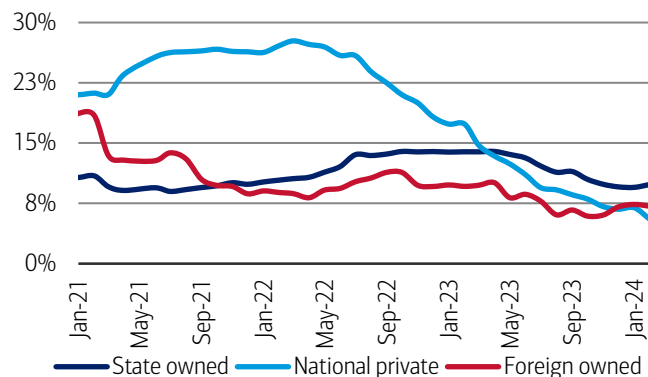
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Monthly trends

Exhibit 7: 12-month public and private-sector banks credit growth

Public banks expanded 10% YoY (+9% in December), while national private banks decelerated to 5% (vs 7% in December)

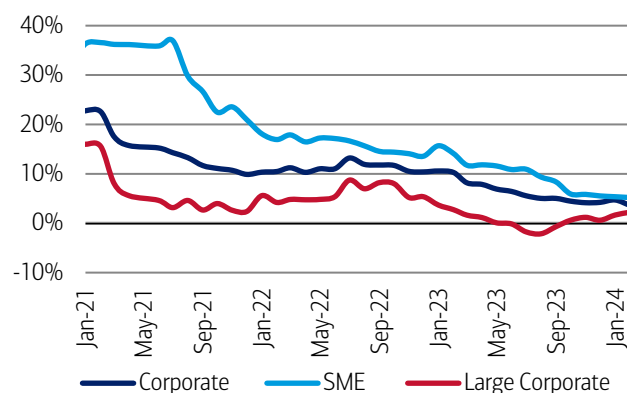


Source: BofA Global Research and Brazilian Central Bank

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Exhibit 9: 12-month corporate credit growth

Large corporate expanded 2% YoY (+2% in December), SME expanded 5% (+5% in December)

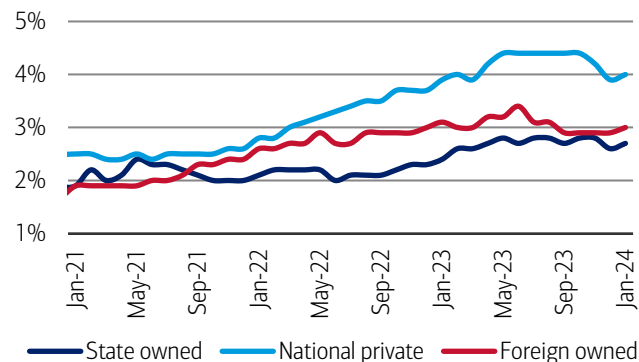


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Exhibit 11: NPL ratio by control

NPL deteriorated 10bps MoM across all controls

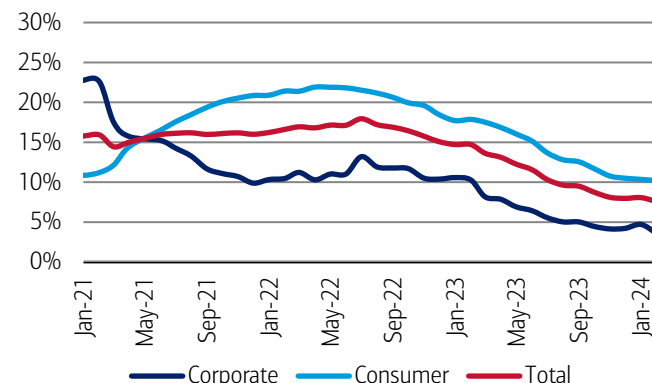


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Exhibit 8: 12-month credit growth

Consumer credit expanded 10% (vs 10% in December), while corporate decelerated to 4% (+5% in December)

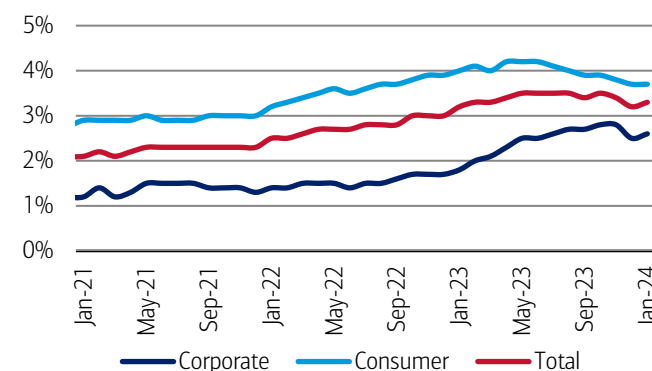


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Exhibit 10: NPL ratio by segment

Consumer NPL remained flat MoM at 3.7% and corporate NPL deteriorated 10bps to 2.6%

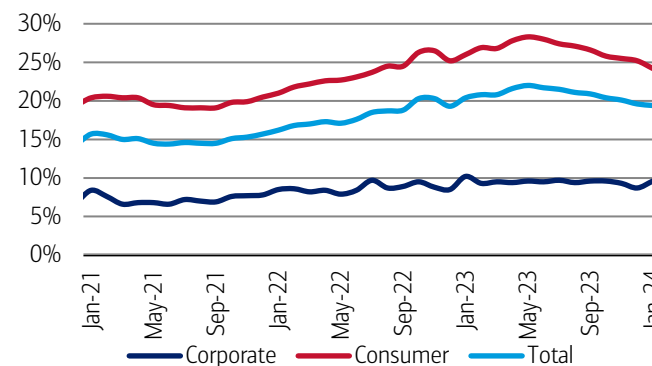


Source: BofA Global Research and Brazilian Central Bank

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Exhibit 12: Average spreads

Consumer spreads decreased 100bp MoM (to 24.2%), while corporate spreads increased 90bps (to 9.6%)



Source: BofA Global Research and Brazilian Central Bank

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Exhibit 13: Brazilian Credit data main figures

The total credit portfolio expanded 8% YoY

	-12m Jan-23	-6m Jul-23	-3m Oct-23	-1m Dec-23	Current Jan-24	Trailing Growth (%)			
						YoY	-6m	-3m	MoM
Credit Penetration (% of GDP)	52.8%	51.9%	52.6%	53.3%	52.8%	0bp	90bp	20bp	-50bp
Total Credit (Incl. Mandatory) (R\$bn)	5,370	5,481	5,637	5,794	5,776	7.6%	5.4%	2.5%	-0.3%
Total Credit (Excl. Mandatory) (R\$bn)	3,206	3,236	3,282	3,386	3,354	4.6%	3.6%	2.2%	-1.0%
Retail Credit (R\$bn)*	3,227	3,336	3,450	3,522	3,556	10.2%	6.6%	3.1%	1.0%
Overdraft	32	33	35	31	34	7.0%	3.8%	-1.7%	9.1%
Unsecured direct lending	253	256	265	265	270	6.6%	5.3%	2.1%	2.1%
Payroll	597	610	624	626	634	6.2%	3.9%	1.6%	1.2%
Auto financing	260	271	282	289	294	12.8%	8.3%	4.2%	1.4%
Other durable goods financing	25	24	24	24	24	-1.5%	1.5%	1.8%	0.3%
Credit card	497	512	515	542	542	9.1%	5.9%	5.3%	0.0%
Mortgages	937	991	1,020	1,039	1,044	11.4%	5.3%	2.3%	0.5%
Agricultural	414	427	466	480	487	17.6%	14.2%	4.7%	1.5%
Credit renegotiation	81	85	85	87	87	6.9%	2.3%	2.0%	0.4%
Corporate Credit (R\$bn)*	2,144	2,144	2,187	2,273	2,221	3.6%	3.6%	1.5%	-2.3%
BNDES Credit (R\$bn)	456	452	467	472	475	4.1%	4.9%	1.5%	0.5%
Credit Spreads Annual	20.4%	21.5%	20.4%	19.6%	19.4%	-100bp	-210bp	-100bp	-20bp
Retail	26.0%	27.4%	25.8%	25.5%	24.2%	-180bp	-320bp	-160bp	-130bp
Corporate	10.2%	9.7%	9.6%	8.7%	9.6%	-60bp	-10bp	0bp	90bp
Past Due Loan Ratio (%)**	4.4%	4.9%	4.9%	4.5%	4.6%	20bp	-30bp	-30bp	10bp
Retail NPL**	6.1%	6.2%	5.9%	5.6%	5.5%	-60bp	-70bp	-40bp	-10bp
Overdraft	13.4%	13.2%	12.8%	13.7%	13.1%	-30bp	-10bp	30bp	-60bp
Unsecured direct lending	7.9%	7.4%	6.6%	6.2%	6.2%	-170bp	-120bp	-40bp	0bp
Payroll	2.2%	2.2%	2.3%	2.3%	2.3%	10bp	10bp	0bp	0bp
Auto financing	5.5%	5.4%	5.3%	5.2%	5.1%	-40bp	-30bp	-20bp	-10bp
Other durable goods financing	7.3%	7.9%	8.0%	7.6%	7.7%	40bp	-20bp	-30bp	10bp
Credit card	45.3%	49.5%	54.9%	53.9%	53.9%	860bp	440bp	-100bp	0bp
Mortgages	1.6%	1.9%	1.7%	1.5%	1.5%	-10bp	-40bp	-20bp	0bp
Agricultural	0.8%	0.9%	1.0%	1.1%	1.2%	40bp	30bp	20bp	10bp
Corporate NPL**	2.2%	3.2%	3.5%	3.2%	3.4%	120bp	20bp	-10bp	20bp

*Includes BNDES

**NPL ratios are for the free market portfolio only

Source: **Source:** Brazil Central Bank



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