

Banks - Brazil

Credit acceleration could be just around the corner; BCB data in charts

Industry Overview

Key takeaways from November BCB data

The Brazilian Central Bank reported credit figures for November. The data continued to reflect the banks' conservative approach on lending but brought positive news on indebtedness and asset quality – which could lead to improving dynamics on lending ahead. In a nutshell, in November, the i) loan book growth decelerated, ii) NPL ratio improved and iii) spreads continued to trend down (as banks reprice loans down to incorporate lower funding costs).

#1- Sharp contraction on revolving credit cards

Total loan portfolio growth decelerated again, 7.1% YoY (weakest pace since Jan'20). The slowdown came both on corporate and consumer loans. Revolving credit card loans continued to shrink (-21% YoY, vs -15% in October), leading the contraction in the individuals' book, while other lines maintained a more robust pace. Exhibit 1 and 8.

#2- Indebtedness improved but remained high

Household indebtedness remains high (well above the last five years average), likely explaining the weak loan growth. However, indebtedness and debt service indicators are improving at the margin, already reaching the lowest levels since mid '21 and '22, respectively. In our view, banks are closely monitoring this indicator as a better household payment capacity could trigger stronger credit origination. Exhibit 2.

#3- Gradual improvement in credit appetite

Seasonally adjusted consumer loan origination remained stable MoM as percentage of the loan book. In particular, the data showed acceleration of riskier lines, such as clean personal credit, auto financing and even credit cards, but contraction on the origination of collateralized lines (such as mortgage and payroll loans). We believe this trend reflects increasing credit appetite, as A/Q indicators gradually improve. Exhibits 3 and 4.

#4- Consumer spreads trending down

Total spreads shrunk for the 6th consecutive month, reflecting the repricing of lending rates following the cuts in Selic. Consumer segment spreads fell 20bp MoM, while spreads in the corporate segment fell 30bp MoM. Exhibit 5.

#5- Improving NPL trends

Individuals NPL improved for the fourth consecutive quarter, reaching 3.8%, reinforcing the thesis that the peak in NPL ratio is behind us. The improvement was supported by better trends on consumer clean credit and credit cards, while it remained relatively stable on payroll loans and auto financing, and deteriorated on overdraft loans. Corporate NPL deteriorated 10bp. Finally, the improvement was concentrated on national private banks, while it deteriorated on public banks. Exhibit 6, 10 and 11.

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A/Q – Asset quality
BBAS – Banco do Brasil
BCB - Brazilian Central Bank
BPAC – BTG Pactual
BPAN – Banco Pan
INTR – Inter
NII – net interest income
NPL - non-performing loans

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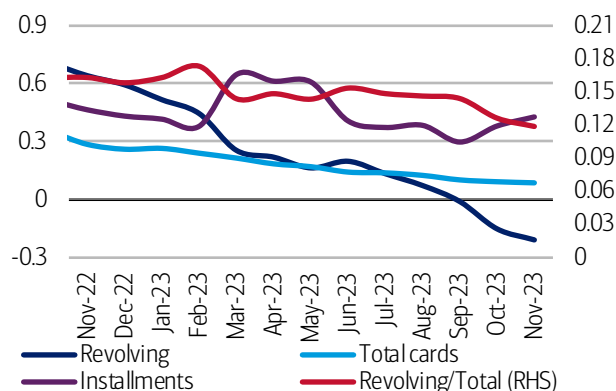
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November data

Exhibit 1: Credit card book growth (%)

Revolving credit card portfolio fell 21% YoY

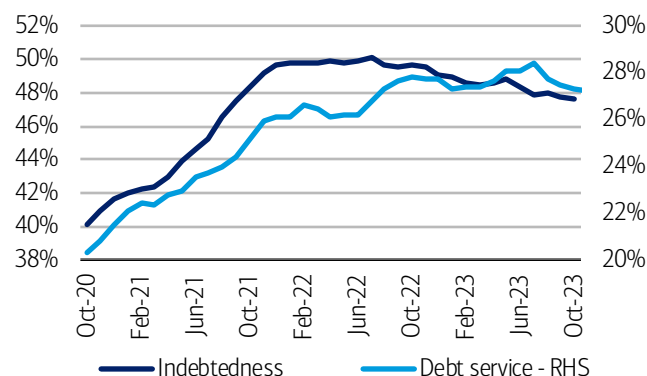


Source: BCB, BofA Global Research

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Exhibit 2: Indebtedness and debt service (%)

Indebtedness and debt service ratios are gradually improving

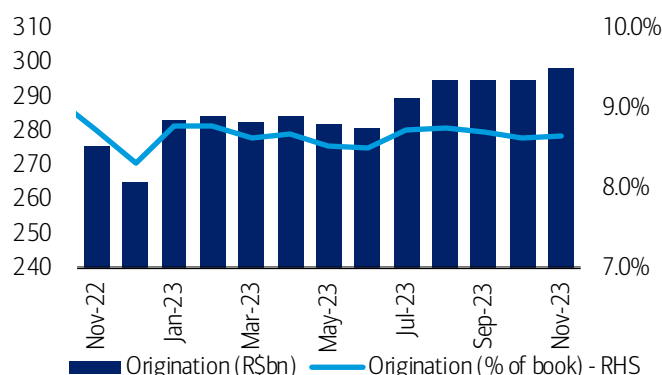


Source: BCB, BofA Global Research

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Exhibit 3: Consumer credit origination (R\$b)

Consumer credit origination remained stable as percentage of the loan book



Source: BCB, BofA Global Research

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Exhibit 4: Corporate credit origination (R\$b)

Corporate origination also relatively stable as percentage of the loan book

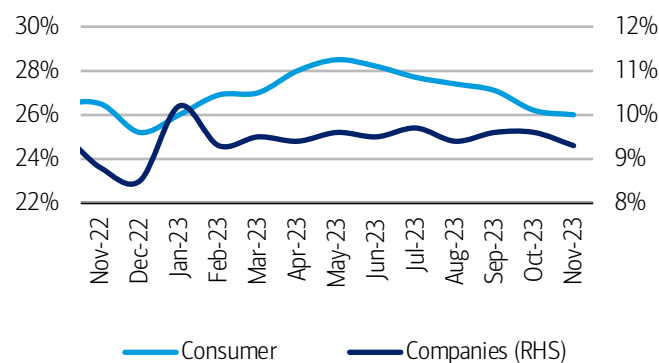


Source: BCB, BofA Global Research

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Exhibit 5: Lending spreads (%)

Consumer spreads have declined, reflecting repricing of loans

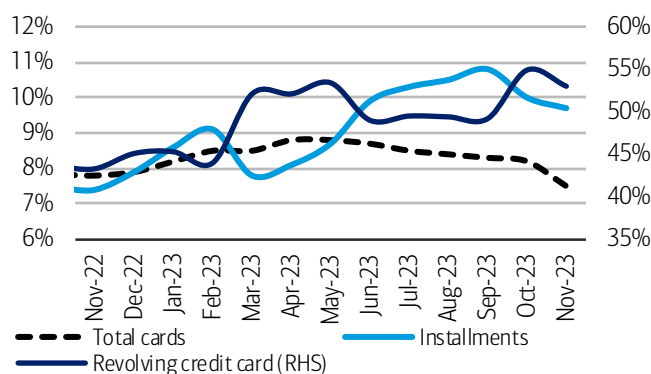


Source: BCB, BofA Global Research

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Exhibit 6: Credit card NPL breakdown (%)

Credit card NPL have contracted, reflecting a selective approach on clients



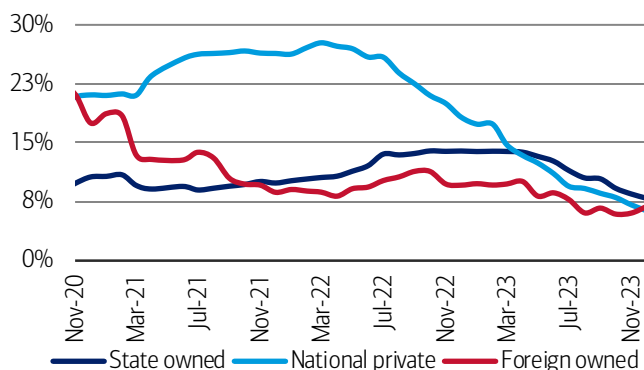
Source: BCB, BofA Global Research

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Monthly trends

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

Public banks expanded 8% YoY (+8% in October), while national private banks decelerated to 6% (vs 7% in October)

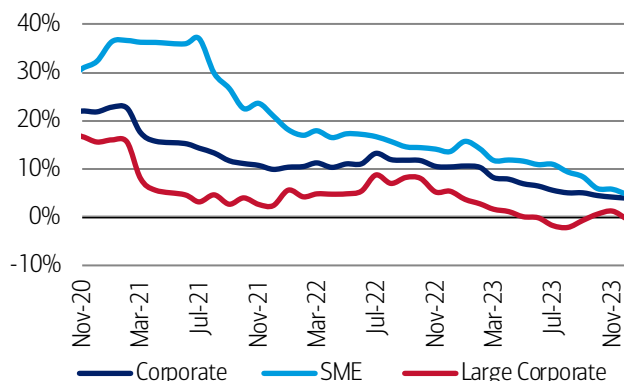


Source: BofA Global Research and Brazilian Central Bank

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Exhibit 9: 12-month corporate credit growth

Large corporate segment was flattish YoY (+1% in October), SMEs decelerated to 5% (+6% in October)

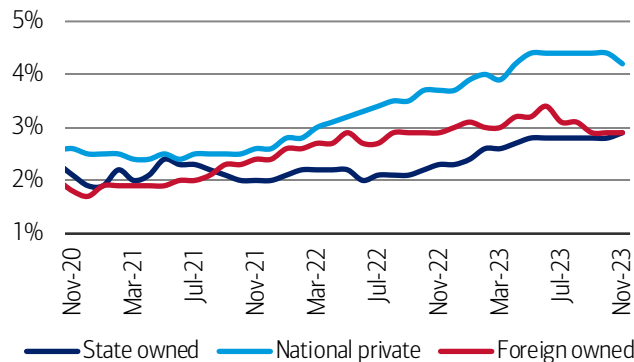


Source: BofA Global Research and Brazilian Central Bank

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Exhibit 11: NPL ratio by control

National private NPL improved 20bp while state owned NPL deteriorated 10bp and foreign owned remained stable MoM

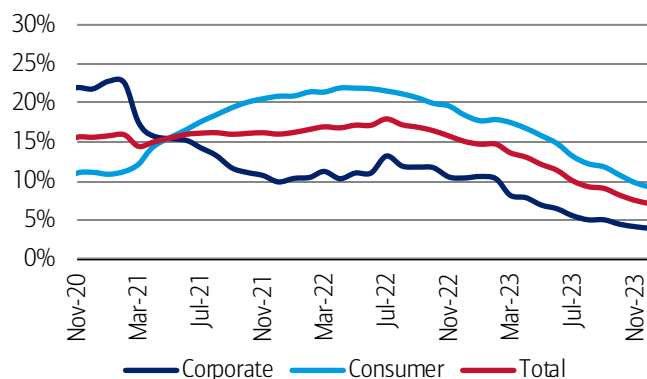


Source: BofA Global Research and Brazilian Central Bank

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Exhibit 8: 12-month credit growth

Consumer credit decelerated to 9% (vs 10% in October), while corporate expanded 4% (+4% in October)

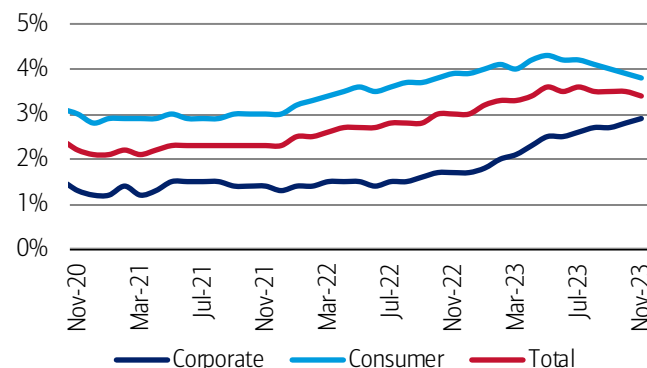


Source: BofA Global Research and Brazilian Central Bank

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Exhibit 10: NPL ratio by segment

Consumer NPL improved 10bp MoM to 3.8% and corporate NPL deteriorated 10bp to 2.9%

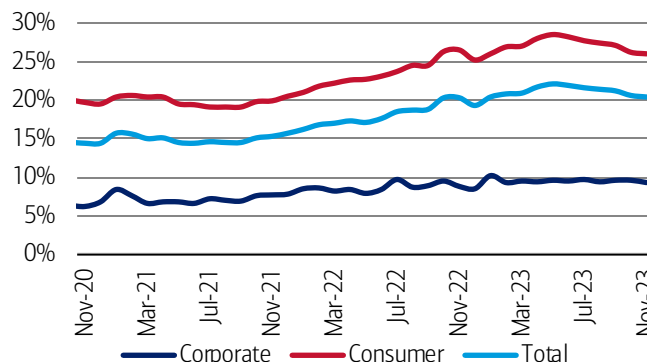


Source: BofA Global Research and Brazilian Central Bank

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Exhibit 12: Average spreads

Consumers spreads decreased 20bp MoM (to 26.0%), while corporate spreads decreased 30bp (to 9.3%)



Source: BofA Global Research and Brazilian Central Bank

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Exhibit 13: Brazilian Credit data main figures

The total credit portfolio expanded 7% YoY

	-12m Nov-22	-6m May-23	-3m Aug-23	-1m Oct-23	Current Nov-23	Trailing Growth (%)			
						YoY	-6m	-3m	MoM
Credit Penetration (% of GDP)	53.8%	51.9%	52.1%	52.2%	52.3%	-150bp	40bp	20bp	10bp
Total Credit (Incl. Mandatory) (R\$bn)	5,281	5,441	5,531	5,606	5,655	7.1%	3.9%	2.2%	0.9%
Total Credit (Excl. Mandatory) (R\$bn)	3,158	3,240	3,258	3,281	3,315	5.0%	2.3%	1.8%	1.0%
Retail Credit (R\$bn)*	3,159	3,303	3,369	3,419	3,450	9.2%	4.4%	2.4%	0.9%
Overdraft	31	33	34	35	34	10.2%	1.2%	-1.3%	-2.0%
Unsecured direct lending	249	261	260	265	266	6.9%	1.7%	2.2%	0.5%
Payroll	584	613	615	624	625	7.0%	2.0%	1.6%	0.2%
Auto financing	256	267	275	282	287	11.8%	7.4%	4.3%	1.8%
Other durable goods financing	24	24	24	24	24	-0.6%	0.5%	0.6%	0.9%
Credit card	487	510	517	515	530	8.7%	3.9%	2.5%	2.9%
Mortgages	918	963	978	987	990	7.8%	2.8%	1.2%	0.3%
Agricultural	396	420	448	466	471	18.8%	12.1%	5.0%	1.1%
Credit renegotiation	83	85	87	85	85	2.4%	-0.2%	-2.3%	-0.2%
Corporate Credit (R\$bn)*	2,122	2,138	2,162	2,187	2,205	3.9%	3.2%	2.0%	0.8%
BNDES Credit (R\$bn)	450	450	457	467	467	3.7%	3.7%	2.2%	-0.1%
Credit Spreads Annual	20.3%	22.1%	21.4%	20.6%	20.4%	10bp	-170bp	-100bp	-20bp
Retail	26.5%	28.5%	27.4%	27.1%	26.0%	-50bp	-250bp	-140bp	-110bp
Corporate	8.8%	9.6%	9.4%	9.6%	9.3%	50bp	-30bp	-10bp	-30bp
Past Due Loan Ratio (%)**	4.2%	4.8%	4.9%	4.9%	4.8%	60bp	0bp	-10bp	-10bp
Retail NPL**	5.8%	6.3%	6.1%	5.9%	5.7%	-10bp	-60bp	-40bp	-20bp
Overdraft	12.6%	13.1%	12.3%	12.8%	15.7%	310bp	260bp	340bp	290bp
Unsecured direct lending	7.7%	7.7%	7.1%	6.6%	6.3%	-140bp	-140bp	-80bp	-30bp
Payroll	2.2%	2.1%	2.2%	2.3%	2.3%	10bp	20bp	10bp	0bp
Auto financing	5.5%	5.7%	5.4%	5.3%	5.3%	-20bp	-40bp	-10bp	0bp
Other durable goods financing	7.4%	8.3%	7.9%	8.0%	7.7%	30bp	-60bp	-20bp	-30bp
Credit card	43.3%	53.4%	49.4%	54.9%	53.0%	970bp	-40bp	360bp	-190bp
Mortgages	1.5%	2.0%	1.9%	1.7%	1.7%	20bp	-30bp	-20bp	0bp
Agricultural	0.8%	0.8%	0.9%	1.0%	1.1%	30bp	30bp	20bp	10bp
Corporate NPL**	2.1%	2.9%	3.3%	3.5%	3.6%	150bp	70bp	30bp	10bp

*Includes BNDES

**NPL ratios are for the free market portfolio only

Source: Brazil Central Bank

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