CREDIT: VOLUME OF NEW LOANS PARTIALLY RECOVERS AFTER DECLINES IN THE TWO PREVIOUS MONTHS

This morning, Brazil’s central bank released its monetary policy and credit operations report for September, showing partial recovery in the volume of new loans, particularly in the corporate segment. A strike by bank workers prevented a sharper rebound in new consumer loans and was behind the increase in the volume of more expensive credit. Consumer and corporate delinquency remained essentially stable, while interest rates and spreads were little changed.

The daily average for new consumer loans rose by 0.7% seasonally adjusted in September, in real terms, following an accumulated drop of 6.2% in the two previous months. Nevertheless, the three-month moving average for new consumer loans dropped further, to -1.9% in September from -0.2% in August, marking the weakest reading since February 2011. Over the last 12 months, the real average of new consumer loans rose by 3.4%, a low growth rate relative to the performance of recent years.

The recovery in consumer loans would probably have been more intense had it not been for a strike by bank workers, which prevented access to some credit modalities offered in branches. The strike triggered an increase in the volume of loans taken in the form of account overdraft facilities and interest-bearing credit cards, which are more readily available. As a share of total loans, these credit transactions widened to 64.0% in September from 61.9% in August. This result is unlikely to hold up in October because the strike has ended.

Credit conditions became somewhat more restrictive: consumer interest rates rose to 35.8% p.a. in September from 35.6% in August. Meanwhile, the spread widened to 27.9% from 27.7%, while the average maturity grew to 617 days from 614.

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The seasonally-adjusted delinquency rate for consumer loans 15 to 90 days past due went up by 0.1% to 6.5% in September, while the seasonally-adjusted delinquency rate for consumer loans over 90 days past due was stable, at 7.9%. Given that new credit facilities have been showing encouraging signs for a few months, we expect consumer delinquency rates to see a downward trend soon.

The real daily average for new corporate loans climbed by 4.0% seasonally adjusted in September, partially reversing the 5.9% accumulated decline in the two previous months. We believe that prospective signs (credit demand, business confidence and a rebound in domestic activity) indicate that new corporate loans will likely continue to grow over the next months.
Still, the three-month moving average for growth in new corporate loans remained in contraction, at -0.7% in September from -1.5% in August. Over the last 12 months, the real average of new corporate loans went up by 1.7%.

Guaranteed accounts and working capital portfolios posted some of the most significant increases in the segment. A gauge of core corporate loans (working capital, trade bills and guaranteed accounts) advanced by 4.8% in September in seasonally adjusted real terms, after falling by 8.6% during July and August.

Credit conditions for companies became less restrictive: corporate interest rates retreated to 22.6% in September from 23.1% in August, while the spread narrowed to 15.3% from 15.7%, and the average maturity rose to 412 days from 410.

The seasonally adjusted delinquency rate for corporate loans 15 to 90 days past due advanced to 2.4% in September from 2.3% in August, while the rate for loans over 90 days past due was stable at 4.0%. In historical terms, the delinquency level in the segment remains high.

Total outstanding loans registered a 1.1% monthly uptick in September, a lower reading than in August (1.3%). The volume of earmarked credit climbed by 1.6% in the period, while the volume of non-earmarked credit went up by 0.8%.

As a share of GDP, total outstanding loans expanded by 0.3%, to 51.5%. From a capital control standpoint, state-owned institutions continued to increase their market share. The year-over-year growth rate for total outstanding loans slowed to 15.8% in September from 17.1% in August, a pace similar to the central bank’s forecast for the year as a whole (16.0%).

Preliminary data for October (through October 17) show continuing recovery in the volume of new corporate loans and deterioration in the volume of new consumer loans. Compared to the month-earlier period, new consumer loans retreated by 0.5% in nominal terms, while new corporate loans grew by 1.5%. Assuming the same growth rate until the end of the month, in seasonally adjusted real terms, these figures would represent a small increase in new corporate loans and a slight decline in new consumer loans. Nominal interest rates (consumer and corporate) are showing a small 20-bp increase, to 30.1%.

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