

Brazil Flash

Credit markets lose dynamism

The total credit stock expanded 0.8%/m in October, the slowest pace since January, amidst financial stress and activity slowdown. This deceleration was supported by a moderation in public credit, which expanded less than private credit for the first time in many months. As a share of GDP, the total credit stock remained stable at 48.5%.

- **In yearly terms, credit expanded 18.4%/y, the lowest since 2010.**

The credit stock grew 0.8%/m in October, less than the average expansion observed in the year until September (1.4%/m). This moderation was especially important in the case of public credit (0.6%/m in October versus 1.6%/m in average between January and September). Private credit also decelerated, but less sharply (to 0.9%/m in October, from 1.3%/m in average in the year up to September). External credit, which represents only 3% of total domestic credit, contracted 2.1%/m and supported the overall moderation trend. In yearly terms, the credit stock grew 18.4%/y in October, for the first time out of the 19%-21% range since the middle of 2010. Non-performing loans reached 3.6% in October, which is more than the average observed in the year up to then (3.4%) but less than the 2010 average (3.7%).

- **Expect more moderation ahead.**

Looking forward, we expect credit markets to moderate in the next few months in line with the economic activity slowdown and heightened financial stress. In our view, the [reversal of some macro-prudential measures announced last year](#) and the cuts of the SELIC rate will prevent credit markets from dropping more sharply instead of driving them up, at least while uncertainty remains high and the tone of financial markets negative. A survey released yesterday by the CB supports this view: financial institutions expect credit supply to large companies, to medium and small companies, and to consumers to drop, respectively, 0.8%/q, 0.7%/q and 0.4%/q in Q4 (the supply of credit to the real estate segment, however, is expected to expand by 0.1%/q).

For more on Brazil, [click here](#)

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