

Brazil Flash

Credit markets rebound in November

Following a moderation in October, credit markets rebounded in November due to the recent [reversal of some macro-prudential measures announced last year](#), the slight reduction of risk aversion and the dynamism of public loans. This rebound is also in line with a (limited) expansion of the economy in the end of the year.

- **The credit stock expanded 1,9%/m/m and reached 48.2% of GDP**

After a 0.7%/m/m growth in October -the lowest in the year- credit markets grew 1.9%/m/m in November driven by the easing of monetary conditions (especially the reduction of capital requirements for consumer loans announced on November 14), a small reduction in risk aversion (Brazil's EMBI+ averaged 230bps in November in comparison to 240bps in October), the strong performance of public loans (which grew 3.0%/m/m in November and represent now 42.8% of total credit), and by a likely expansion of domestic demand in November/December after the deceleration observed previously. In yearly terms, credit grew 18.2%/y/y, practically stable in comparison to October but still above the CB's forecast for the end of the year (17.0%/y/y). Looking ahead, we see room for a gradual moderation of credit markets. More precisely, we expect credit to grow around 15%-17% next year. In spite of this moderation, credit markets will continue supporting domestic demand, at least if external conditions allow it. Finally, the reaction of credit markets in November makes less likely the implementation of more macro-prudential measures in the short-term.

- **NPL continue under control.**

In spite of global turbulences and domestic activity weakening, non-performing loans (NPL) remained at relatively low levels and reached 3.6% in November (3.5% in October; 3.3% in November of 2010). As a consequence of the implementation of a laxer monetary policy, credit conditions improved in November: average lending rates dropped from 39.5% in October to 38.5%, the banking spread declined to 28.2% from 28.9%, and loans' average term increased to 495 days, the highest ever.

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

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