

Brazil

# Economic Watch

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## Economic Analysis

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## Brazil: credit grew 21%/y/y in February, still high above the “target”

- TCentral Bank officials have been talking lately about the need to bring nominal credit growth to within the 10%/y/y - 15%/y/y range by the end of the year (credit grew 20.5%/y/y in 2010).
- Although this is not a formal target, it seems that it will be increasingly taken into account by the monetary authorities to guarantee not only the stability of prices, but also of the financial system (the former is also gaining importance in the Central Bank’s recent communications).
- The monetary authority seems therefore to be implementing a new system with two goals (price stability and financial system stability) and two tools (SELIC and the increasingly important macro-prudential measures).
- Credit data released today showed that total credit expanded 21%/y/y in February, more than in January (20.3%/y/y) and still much higher than the “target”.
- As a share of GDP, the credit stock moved up to 46.5% from 46.3% in January (46.4% at the end of 2010).
- In comparison to January, total credit expanded 1.3%/m/m in February. Household loans expanded 1.4%/m/m (22.8%/y/y) while corporate loans grew 1.2%/m/m (19.6%/y/y).
- Credit expansion continued to be robust in February in spite of higher lending rates (38.1% on average in comparison with 37.4% in January and 35.0% at the end of 2010) and slightly shorter loan maturities (472 days on average in comparison with 474 days in January and 476 days in December).
- Non-performing loans remained stable at 3.2%.
- All in all, credit had a strong performance in February and we see reinforced reasons to expect the Central Bank to implement more macro-prudential measures soon to make credit growth converge to the 10%/y/y – 15%/y/y range by the end of the year.

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

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