

# Brazil Flash

## Better news from credit markets

Amid heightened concerns about Brazil's credit markets, official data released today by the CB brought some good news: non-performing loans (NPL) rates declined, credit expansion was relatively robust, both banking spreads and lending rates fell in June. We see room for good news to continue to pop up in the months ahead as economic activity recovers, labor market remains strong and both inflation and interest rates continue at low levels.

- **After the good news, the bad one: public banks continue to gain market share**

The total over-90 days NPL rate dropped from 5.9% to 5.8% in June as both corporate and household NPL rates declined (respectively, to 4.0% and 7.8% from 4.1% and 7.9%). 15-90 days NPL rates also fell: the corporate NPL rate to 2.1% from 2.3% and the household NPL rate, which was markets' main focus of attention, to 6.4% from 6.6% in May and 6.9% in April. In addition to the generalized decline in NPL, credit markets expanded by 1.4% m/m in June in comparison to only 1.0% m/m in average in the first five months of the year. Credit conditions also improved in the period: the average loan term reached a new record-high (503 days) and both banking spreads and lending rates continued to trend downwards in line with recent SELIC cuts: the average spread reached 23.2bps and the average lending rate, 31.1%. On the negative side we highlight one figure brought by today's report: public credit expanded by 2.6% m/m (27.1% y/y), significantly more than private credit, and public bank's credit share reached 45% in June. Looking forward, we expect a better macroeconomic environment to set the conditions for a drop in NPL in the second half of the year although there are still important risks for this positive benign scenario to materialize. Even though the likely reduction of NPL in the months ahead could pave the way for a recovery in credit markets, we are of the opinion that policy makers should, in the medium-term, accept a slower credit growth (especially in public credit) to minimize bubble and overheating problems.

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

## Mejores noticias desde los mercados de crédito

En medio a crecientes preocupaciones con los mercados de crédito brasileños, los datos oficiales divulgados hoy por el BC traen un conjunto de buenas noticias: las tasas de morosidad cayeron, el crédito se expandió con relativa robustez y tanto los tipos de interés como los spreads bancarios se redujeron. Vemos espacio, en los próximos meses, para más noticias positivas relacionadas con los mercados de crédito en Brasil debido a que esperamos que la actividad se recupere, el mercado laboral siga dinámico y que tanto la inflación como el SELIC sigan en niveles bajos.

Para ver más acerca de Brasil, [haga clic aquí](#)

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