

Brazil

Economic Watch

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Economic Analysis

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Brazil: signs of slowing down in credit markets

- The credit stock expanded 20.3%/y/y (0.5%/m/m) in January and reached 46.5% of GDP in January. These numbers show a slight moderation – the first in many months - in comparison to December when the credit stock expanded 20.6%/y/y (1.6%/m/m) and reached 46.7% of GDP.
- Other figures reinforce the moderation in credit markets: daily lending declined 4%/m/m; and non-earmarked credit expanded less than the average (0.3%/m/m vs. 0.5%/m/m) and less than in December (0.3%/m/m vs. 1.3%/m/m).
- The slowing down in credit markets is related to the implementation of macro-prudential measures in December and also to the beginning of the monetary tightening cycle in January. We expect this moderation to continue in coming months and credit expansion to near 15%/y/y by the end of the year.
- Also, as a consequence of the tightening of monetary policy, credit conditions deteriorated in January: the average duration of loans dropped for the first time in many months and is now at 474 days, average lending rates jumped to 37.4% from 35% in December, and banking spreads moved up to 25.6% from 23.5% in the last month of 2010.
- Non-performing loans remained stable at 3.2% according to the data released today by the Central Bank.

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

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