

# Flash

Brazil

## Credit grows robustly despite global turbulence

The total credit stock expanded 2.1%*m/m* in September, the highest rate in more than a year, in spite of activity moderation and financial turbulence. This expansion was driven by a strong growth in credit from public banks (2.8%*m/m*). The credit stock reached 48.4% of GDP (up from 46.4% in the end of 2010).

- **Yearly growth remains around 20% since the middle of 2010**

In monthly terms, the credit stock expanded 2.1%*m/m*, more than the 1.3%*m/m* average observed in the year up to September and than the 1.6%*m/m* average of 2010. In yearly terms, the credit expansion was equal to 19.6%*y/y* in September, within the 19%*y/y* and 21%*y/y* range it has been since August of 2010. Credit markets remain very dynamic in spite of increasing signs of activity moderation (in Brazil and abroad), volatility in financial markets and measures taken by the CB in the first half of the year. Although we continue expecting credit markets to slow down, the figures released today add to the view that 2011's credit growth will not be significantly lower than the expansion observed in 2010 (20.6%).

- **Dual credit markets**

Credit from public banks expanded 2.8%*m/m* (21.2%*y/y*) in September while, on the other hand, private credit grew 1.6%*m/m* (18.3%*y/y*). In the year up to now, the public credit expansion averaged 1.6%*m/m*, the same as in 2010. Private credit, however, reacted to the new measures introduced by the monetary authority and by a less supportive environment: its average expansion dropped from 1.5%*m/m* in 2010 to 1.2%*m/m* in 2011. The share of public banks in total credit has, therefore, been increasing: it reached 42.5% in September in comparison to 34.2% in September of 2008. We see some risks in this continued expansion as public banks could end up more exposed to any deterioration of domestic activity. In addition to that, from a macroeconomic perspective, the expansion of public credit can add to labor market pressures and reduce the room for the Central Bank to cut interest rates.

- **Stable NPL and lower interest rates**

Non-performing loans were stable at 3.5% in September (3.2% in the end of 2010). Average interest rates dropped to 39.0% from 39.7% following the recent reduction of the SELIC. Banking spreads increased slightly to 28.1% from 27.8% in August.

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

Enestor Dos Santos  
[enestor.dossantos@bbva.com](mailto:enestor.dossantos@bbva.com)  
+34 639 82 72 11



## DISCLAIMER

This document and the information, opinions, estimates and recommendations expressed herein, have been prepared by Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter called "BBVA") to provide its customers with general information regarding the date of issue of the report and are subject to changes without prior notice. BBVA is not liable for giving notice of such changes or for updating the contents hereof.

This document and its contents do not constitute an offer, invitation or solicitation to purchase or subscribe to any securities or other instruments, or to undertake or divest investments. Neither shall this document nor its contents form the basis of any contract, commitment or decision of any kind.

**Investors who have access to this document should be aware that the securities, instruments or investments to which it refers may not be appropriate for them due to their specific investment goals, financial positions or risk profiles, as these have not been taken into account to prepare this report.** Therefore, investors should make their own investment decisions considering the said circumstances and obtaining such specialized advice as may be necessary. The contents of this document is based upon information available to the public that has been obtained from sources considered to be reliable. However, such information has not been independently verified by BBVA and therefore no warranty, either express or implicit, is given regarding its accuracy, integrity or correctness. BBVA accepts no liability of any type for any direct or indirect losses arising from the use of the document or its contents. Investors should note that the past performance of securities or instruments or the historical results of investments do not guarantee future performance.

**The market prices of securities or instruments or the results of investments could fluctuate against the interests of investors. Investors should be aware that they could even face a loss of their investment. Transactions in futures, options and securities or high-yield securities can involve high risks and are not appropriate for every investor. Indeed, in the case of some investments, the potential losses may exceed the amount of initial investment and, in such circumstances, investors may be required to pay more money to support those losses. Thus, before undertaking any transaction with these instruments, investors should be aware of their operation, as well as the rights, liabilities and risks implied by the same and the underlying stocks. Investors should also be aware that secondary markets for the said instruments may be limited or even not exist.**

BBVA or any of its affiliates, as well as their respective executives and employees, may have a position in any of the securities or instruments referred to, directly or indirectly, in this document, or in any other related thereto; they may trade for their own account or for third-party account in those securities, provide consulting or other services to the issuer of the aforementioned securities or instruments or to companies related thereto or to their shareholders, executives or employees, or may have interests or perform transactions in those securities or instruments or related investments before or after the publication of this report, to the extent permitted by the applicable law.

BBVA or any of its affiliates' salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to its clients that reflect opinions that are contrary to the opinions expressed herein. Furthermore, BBVA or any of its affiliates' proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. No part of this document may be (i) copied, photocopied or duplicated by any other form or means (ii) redistributed or (iii) quoted, without the prior written consent of BBVA. No part of this report may be copied, conveyed, distributed or furnished to any person or entity in any country (or persons or entities in the same) in which its distribution is prohibited by law. Failure to comply with these restrictions may breach the laws of the relevant jurisdiction.

In the United Kingdom, this document is directed only at persons who (i) have professional experience in matters relating to investments falling within article 19(5) of the financial services and markets act 2000 (financial promotion) order 2005 (as amended, the "financial promotion order"), (ii) are persons falling within article 49(2) (a) to (d) ("high net worth companies, unincorporated associations, etc.") Of the financial promotion order, or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the financial services and markets act 2000) may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons. The remuneration system concerning the analyst/s author/s of this report is based on multiple criteria, including the revenues obtained by BBVA and, indirectly, the results of BBVA Group in the fiscal year, which, in turn, include the results generated by the investment banking business; nevertheless, they do not receive any remuneration based on revenues from any specific transaction in investment banking.

BBVA is not a member of the FINRA and is not subject to the rules of disclosure affecting such members.

**"BBVA is subject to the BBVA Group Code of Conduct for Security Market Operations which, among other regulations, includes rules to prevent and avoid conflicts of interests with the ratings given, including information barriers. The BBVA Group Code of Conduct for Security Market Operations is available for reference at the following web site: [www.bbva.com](http://www.bbva.com) / Corporate Governance".**

**BBVA is a bank supervised by the Bank of Spain and by Spain's Stock Exchange Commission (CNMV), registered with the Bank of Spain with number 0182.**