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Credit growth shows Brazil's resilience

By Joe Leahy in São Paulo

Credit in Brazil grew in September at its fastest monthly rate this year in a sign of the resilience of domestic demand in Latin America's largest economy in contrast to weakness in Europe and the US.

The loan data from the central bank come as a separate study shows property prices in some of the biggest cities are continuing to rise at an average of 22-28 per cent a year in spite of cooling in the overall economy.

"There are no signs of an accommodation in the market, since what we are seeing is in fact a substantial increase in prices," said Antonio Carlos Ruótolo, of Ibope Inteligência, the research firm that released the real-estate study.

Brazil's economy has been slowing from an Asia-like growth rate last year amid a decline in industrial production and a weakening global economy.

Domestic demand has also been showing signs of easing but there is no indication of a collapse, with spending buoyed by Brazil's growing middle class, low unemployment, wage increases and a boom in the availability of credit.

"The Brazilian people are accustomed to spending. I think they are not feeling the crisis, no," said Pedro Moraes, a customer at a news stand on Avenida Paulista in São Paulo's central business district.

In a survey of the Brazilian economy released on Wednesday, the Organisation of Economic Co-operation and Development forecast that Brazil's gross domestic product would grow 3.6 per cent this year and 3.5 per cent in 2012 compared with 7.5 per cent in 2010.

"Domestic demand, spurred by strong investment, is likely to continue to sustain activity," the OECD said.

The central bank said Brazilian credit in September received a boost from the depreciation of the country's currency, the real, against the dollar in September.

Excluding the foreign exchange effect, which boosted the value of Brazil's dollar debt in local currency terms, credit growth would still have risen 1.8 per cent in September, a growth rate comparable with August.