

Brazil's Deadbeats Grow 13%

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In comparison with June, consumer delinquency in Brazil was down 3.7% in July, maintaining the downward trend that began in June, when the index fell 3% in the month-to-month comparison.

Nevertheless, there has been a cumulative increase of 13.2% during the first seven months of 2005, in relation to the same period last year.

These data were obtained from the Serasa Indicator of Personal Delinquency, which registers the level of overdue debt payments for individuals. Serasa is a leading Brazilian company specializing in economic and financial analysis and information.

The study views the decrease in July as a positive sign, reflecting the "reduction in unemployment rates and the increase in real income, in consequence of lower inflation rates."

The Serasa technical team explains in the study that the growth of delinquency in 2005 is the result of the "high indebtedness of the population, fruit of the expansion of financial credit to individuals and the significant growth in the acquisition of durable consumer goods, through credit made available by the retail network," and points out that "the high interest rates for consumer credit" also contribute to this state of affairs.

Checks with insufficient funds were responsible for the largest share of the increase in July, in comparison with July of last year. The percentage was up 2%, attaining 36.3% of the overall delinquency statistic.

After checks with insufficient funds, the most importance sources of delinquency were, in declining order, overdue payments to credit card administrators and loan companies, bank debts, and protested notes registered with the Serasa.

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