Boom Times for Brazil's Consumers
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Lalo de Almeida for The New York Times
Sergio Troczynski, 24, of São Paulo, took out a loan to buy his new Fiat Punto. Easy credit is fueling middle-class growth.

Consumers in the United States are tightening their belts; Brazilians are spending like there's no word in Portuguese for recession.
Middle-class Americans are surrounded by a rising tide of angst; Brazil's middle class is growing.

Even some creditworthy Americans cannot find a mortgage; Brazilians are taking out loans like never before.

"It used to be that when the U.S. sneezes, Brazil catches pneumonia, but that is no longer the case," said Marcelo Carvalho, executive director of research at Morgan Stanley in Brazil.

Thanks to a newfound economic stability and vitality, here and in much of the region, Latin America is looking less chained to the fortunes of the United States. "There is hard decoupling taking place," Mr. Carvalho said. "The Brazilian economy is growing fast as the U.S. is, in our view, already in recession."

Brazil is doing well thanks to a combination of factors. High commodity prices, pushed by demand from China, have brought in hard currency and created jobs.

Foreign investment last year doubled, to $34.6 billion, much of it into the stock market, which is one of the fastest growing in the world. The currency is strong, hitting a nine-year high against the dollar last week, and will likely strengthen further given Standard & Poor's decision last week to raise Brazil's investment grade.

Inflation, which ended 2007 at 4.5 percent, is under control and the economy has grown consistently, if not spectacularly, thanks to the competent management of President Luiz Inácio Lula da Silva. His far-reaching assistance program has given the poor cash to spend. Wages are rising and unemployment is falling.

In short, more Brazilians have more money.

Mr. da Silva calls it a miracle. But in reality, it is something Latin American long lacked: confidence.

With both government and outside analysts insisting the economy can withstand the effects of a global slowdown, banks and companies are sanguine enough to lend to consumers over longer periods than ever before. At the same time, an increasingly secure middle class is confident enough to borrow — to such an extent, analysts say, that domestic consumption has taken over from exports as Brazil's main economic driver, reducing the effect of what happens in, say, the United States.

Because of the twin economic and credit booms, big-ticket items like houses, cars and electronics are within the reach of up to 20 million more Brazilians than ever before, Erico Ferreira, the president of the National Association of Credit, Financing and Investment Institutions, estimated.

"People that weren't consumers are now consumers," Mr. Ferreira said. "Everyone is taking more money home. If you want credit you can get it."

A trip to any shopping mall or car dealership suggests that is true. Stores are packed with shoppers eager to spend. Sales of domestic appliances rose 17 percent last year, the number of cellphones increased 21 percent and sales of notebook computers and plasma and liquid-crystal display televisions nearly tripled.

For items like cars and houses, where paying in cash is rarely feasible, the numbers are even more revealing. The number of houses bought with mortgages rose 72 percent last year to its highest number ever and the amount of money being borrowed to buy vehicles jumped 45 percent.

The credit explosion is a regional phenomenon, according to economists.

Though Latin American nations have little tradition of consumer credit, the amount of money being lent is growing rapidly, said Gregorio Goity, an Argentine economist and former head of the Iberoamerican Federation of Financial Associations.

"The overall totals are low because they come from low starting levels," Mr. Goity said.

"But I can't think of one where it isn't growing," he added, referring to Latin America. "People who didn't have a fridge, a washing machine, a sewing machine, a heater for winter, an air-conditioner for summer, they can buy this now and improve their quality of life substantially."

The new reality is clearest in Brazil — where the amount of money put on credit cards rose 20 percent last year — and particularly in the auto market. A record 2.46 million vehicles were driven off car lots last year, according to the National Association of Automotive Vehicle Manufacturers. Sales are up 31 percent so far this year.

The reason, Mr. Lula and experts agree, is the change in payment plans. Until recently, interest rates were so high and Brazil's economy so unpredictable that banks would not lend for extended periods of time.

Interest rates stood at 25 percent when Mr. Lula took power in 2003 but fell to 11.25 percent last year, still among the highest in the world but low by Brazilian standards. And although inflationary fears prompted the country's central bank to raise its rates 0.5 percent last month, the first increase in more than two years, most consumers' interest payments remain manageable.

The typical home mortgage rate is 12 percent a year; a car loan is about 14 percent to 15 percent; and for consumer goods, rates vary between 42 percent and 43 percent, said Felix Cardamone, president of the Brazilian Association of Credit Card and Service Companies.

Home mortgages can be paid over 30 years, car loans can be paid up over seven and even computers and domestic appliances can be paid off on two-year plans.

“There are two basic miracles: first raising people’s income, and second, increasing the number of monthly payments that a person has to make to pay off the car,” Mr. Lula said last month.

“What did the automobile industry do? It increased the number of payments from 36 or 24 to 72, to 82. And what happened? What happened is the automobile industry runs the risk of reaching full production capacity next year. People are waiting in line to buy a car.”

Sergio Troczynski was one of them. The 24-year-old commercial consultant finally picked up a silver Fiat Punto in April and fulfilled his dream of owning a new set of wheels.

Mr. Troczynski is typical of the new credit clan. A few years ago he could not afford the exorbitant installments. Today, however, he is paid enough to make a down payment on his dream vehicle — and on a 32-inch television. He will pay the equivalent of $455 a month over 36 months for the car, and about $121 a month over 12 months for the television.

“I can only manage this because of the financing. There’d be no other way for me to afford it without that,” Mr. Troczynski said. “Before the banks didn’t have any confidence and neither did the sales people. Credit is much easier to get and that makes it easy to buy a car, a house and pay it up over years.”

Still, the number of Brazilians receiving credit remains relatively low. The volume of outstanding credit in Brazil in February was 34.9 percent of gross domestic product.

In the euro zone countries’ domestic credit to the private sector was 116 percent of G.D.P., according to World Bank figures from 2006; in the United States, it was 201 percent and in Japan it was 419 percent.

Mr. Ferreira predicted that in Brazil, the proportion of personal debt to G.D.P. would rise from 38 percent to 40 percent this year, and increase by another 3 percent each year until 2013. It could rise higher if interest rates fall to single digits — an unlikely situation, he believes — because millions of Brazilians currently refuse to pay what they see as high rates.

“The credit is there, it’s available,” said Divanir Gattamorta, a music teacher who was out shopping one recent Sunday with his wife. “But we just saved up and bought a car.” Mr. Gattamorta said they did not want to take out a loan because interest rates were abusive.

Experts acknowledged current rates put many people off and said those complaints simply confirmed the potential for future growth — if and when interest rates fall farther. “If interest rates fell to single digits the effect would be astronomical,” said Mr. Cardamone. “I don’t doubt that the more interest rates fall the more predisposed people will be to take on loans.”

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