

**Interventions in Credit Markets and Effects on Economics Activity:
Evidence from Brazil**

Abstract

Looking at Brazilian bank branch-level data, I examine how effective the government policy from March 2012 was in increasing supply of credit through public banks, what was the response of private banks to this policy, as well as what were the effects on economic activity. I find that the policy was successful in increasing overall credit supply as increased lending of public banks did not crowd-out private lending. On the other hand, there is no evidence of significant client-switching between private and public banks. However, the effects the policy had on economic activity were very limited and even negligible. I conducted a series of robustness checks to further examine this puzzling result. I find evidence that increased lending led to significant increases in deposits, suggesting that loans were taken at the moment of high availability of funds and saved for future use.