

2020, an unusual year

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The year in which the new coronavirus pandemic has stopped the world: that is how we can define the year of 2020. In Brazil, in addition to the thousands of lives that were lost, the pandemic had a negative impact on the economy. The Gross Domestic Product (GDP) decreased 4,1% compared to 2019, interrupting a growth cycle of three years in a row, from 2017 to 2019.

Despite the negative effects of covid-19 on the economy, the retraction turned out to be less acute than initially projected. The economy showed signs of recovery throughout the second half of the year in response to the government's measures to fight the pandemic.

In order to mitigate the pandemic's negative effects on businesses and families, the government launched a robust package of measures to unlock credit, which contributed to maintain the investment capacity of the productive sector. The tendency to 2021, with the progress of vaccination, is a continuous economy reaction, with the generation of employment, income and credit.



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The leasing market, in addition to having to overcome the pandemic's effects, has also faced a legal obstacle in the regulatory field that has dragged on for over a decade. The legal battle involving the payment of the Service Tax (ISS), which since 2003, has caused disincentives to the development of the activities in the sector.

The Present Value of the Portfolio (VPC) recorded a balance of R\$ 11.347 billion, a reduction of 8,76% compared to December 2019. Among the most leased assets, were machines and equipment, responsible for 48,06% of the total; vehicles and similar, with 16,03%; aircrafts, with 21,77%; and other types of goods, 14,148%.

In order for the leasing industry to resume its role as a competitive and efficient instrument of credit, it is essential that Brazil develops a more favorable business environment.

Therefore, the tax reform that is underway in the National Congress needs to move forward, off the field of proposals and promises. Without that, Brazil would remain on the list of the most inefficient countries, with a tax system among the most complex in the world, which lacks its cumulative nature and overtaxes the production of goods and services, generating legal uncertainty.

The loss of competitiveness in our economy has worsened, as revealed by the World's Bank *Doing Business 2020* ranking, which measures the ease of doing business. After having occupied the 109^o place in the 2019 list, Brazil dropped to the unimaginable 124^a position in the last report, of a total of 190 countries evaluated. A medium-sized Brazilian company spends, on average, 1.500 hours to calculate taxes.

To reverse this unequal game, we urgently need to pass a tax reform that includes four main principles: neutrality, simplicity, equity and transparency. If we do not comply with these principles, we will miss the opportunity to search for permanent solutions to the full growth and development of our economy.

The tax reform, whose processing at the Brazilian Congress was resumed in August 2020, should not only aggregate taxes and maintain the tax burden. It is necessary to eliminate the effects and distortions that cause asymmetries and inefficient allocations, both for individuals and companies.

The national financial system has much to contribute to increasing credit, providing the necessary conditions for investments to accelerate development and economic growth. But in order for the financial sector to be able to fully fulfill its role as a credit provider, the tax reform should remove the tax distortions that have an impact on the formation of bank spread.

Taxation on the financial system in Brazil reflects a model that is not used by most countries, which have already adopted the unification of taxes, under the requirements of the Value Added Tax (IVA), recommended by the International Monetary Fund (FMI).

A fiscal reform is the hope for reestablishing the necessary legal security, a condition for the leasing sector to resume its facilitating role in accessing productive goods and contributing for the sustainable development of the Brazilian economy.

Present portfolio value - Top lessors in 2020

POSIÇÃO	EMPRESA	TOTAL US\$	CONRATOS	%
1	Bradesco Leasing S/A Arrendamento Mercantil	483.418.190	5.282	21,92
2	Banco IBM S/A	415.966.952	495	18,86
3	Santander Leasing S/A Arrendamento Mercantil	407.408.734	23.088	18,47
4	HP Financial Services Arrendamento Mercantil S/A	236.550.235	3.891	10,73
5	Daycoval Leasing - Banco Múltiplo S/A	229.114.682	4.122	10,39
6	Banco de Lage Landen Brasil S/A	106.517.346	1.300	4,83
7	Alfa Arrendamento Mercantil S/A	90.416.965	563	4,10
8	Banco RCI Brasil S/A	72.909.984	21.123	3,31
9	SG Equipment Finance S.A. Arrendamento Mercantil	55.290.290	360	2,51
10	Banco Bradesco Financiamentos S/A	30.916.316	42.168	1,40
11	BB Leasing S/A Arrendamento Mercantil	30.142.079	508	1,37
12	Banco Itaucard S/A	18.456.923	8.742	0,84
13	CCB Brasil Arrendamento Mercantil S/A	13.191.653	45	0,60
14	Banco Citibank S/A	10.362.100	330	0,47
15	Banco Toyota do Brasil S/A	4.683.896	207	0,21
16	Banco Bradesco S/A	6.423	12.916	0,00
Total		2.205.352.767	125.140	100,00

Source : Abel - Brazilian Association of Leasing Companies.

New investments -Top lessors in 2020

POSIÇÃO	EMPRESA	TOTAL(US\$)	CONTRATOS	%
1	Banco IBM S/A	294.590.264	61	26,99%
2	Santander Leasing S/A Arrendamento Mercantil	201.171.073	1.564	18,43%
3	Bradesco Leasing S/A Arrendamento Mercantil	198.674.423	1.200	18,20%
4	HP Financial Services Arrendamento Mercantil S/A	123.509.920	1.115	11,32%
5	Daycoval Leasing - Banco Múltiplo S.A	108.998.694	990	9,99%
6	Banco de Lage Landen Brasil S/A	51.171.919	339	4,69%
7	Alfa Arrendamento Mercantil S/A	48.315.081	126	4,43%
8	SG Equipment Finance S.A. Arrendamento Mercantil	17.843.975	49	1,63%
9	Banco Bradesco Financiamentos S/A	15.238.077	332	1,40%
10	BB Leasing S/A - Arrendamento Mercantil	13.533.810	108	1,24%
11	Safra Leasing S/A Arrendamento Mercantil	9.623.892	71	0,88%
12	Banco Citibank S/A	4.053.086	95	0,37%
13	CCB Brasil Arrendamento Mercantil S.A	2.068.040	16	0,19%
14	Banco Toyota do Brasil S/A	1.917.280	65	0,18%
15	Banco Rodobens S/A	679.812	5	0,06%
Total		1.091.389.347	6.136	100,00
Source: Abel - Brazilian Association of Leasing Companies				

Equipment Leased 2011-2020 (US\$ M)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Veículos e Afins	17.283	10.862	4.810	3.067	1.572	1.365	1.088	757	749	376
Máquinas e Equipamentos	6.310	5.869	5.275	3.407	1.972	1.772	1.496	1.170	1.376	1.128
Aeronaves	578	660	854	895	569	498	506	400	545	511
Equipamentos de Informática	1.036	1.175	686	405	276	307	384	287	259	229
Instalações	89	72	51	69	40	37	15	31	32	23
Móveis e Utensílios	89	67	58	56	29	28	27	18	17	14
Embarcações	58	53	61	75	46	40	45	25	15	10
Imóveis	59	84	40	28	21	20	17	6	5	3
Outros	43	45	18	98	107	130	103	44	21	8
Total	25.545	18.887	11.853	8.100	4.632	4.197	3.681	2.738	3.019	2.302

Source: Abel - Brazilian Association of Leasing Companies

Collectible leases per sector 2011-2020 (US\$ M)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Pessoa Física	20.007	9.779	4.855	1.949	684	625	452	337	297	139
Serviços	6.759	5.802	5.138	5.353	3.236	3.043	2.568	2.029	2.006	1.441
Comércio	2.043	1.740	1.237	1.065	593	607	618	597	568	375
Industria	3.354	2.610	2.060	1.751	921	810	673	632	525	417
Estatais	97	158	76	167	126	109	79	50	31	12
Outros	1.237	978	490	468	157	108	70	70	83	79
Total	33.497	21.067	13.856	10.753	5.717	5.302	4.460	3.715	3.510	2.463

Source: Abel - Brazilian Association of Leasing Companies