

# What we can expect from the Brazilian economy

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Brazil, as well as other countries in the world, is experiencing a moment of economic uncertainty. The retraction in the largest economies that is underway running the risk of extending until the first half of 2023, further affecting the performance of Brazilian economic activity.

If the recession in the United States and, especially in Europe, is more acute, there will be a growing risk that China will also experience lower growth. In this case, Brazil may have its exports compromised, which would have significant effects, given the predominance of domestic exports to China and the United States.

The war in Ukraine has unfolded, exposing the bottleneck in the supply chains and generating a mismatch between supply and demand. This mismatch has affected commodity prices, especially oil and gas. With commodities putting strong pressure on inflation - in the US, for example, prices are at their highest levels in 40 years - there is a broad movement of interest rate hikes by central banks around the world.



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In Brazil, it is not, and will not be different. The Central Bank has been continuously increasing the basic interest rate, the Selic, since March 2021, in an attempt to also contain inflation. Besides the turbulent international context, Brazilian economic activity is subject to the uncertainties related to the national political framework, as a result of the presidential elections in October, with the risks of an expansionist fiscal policy, which distances the country from adequate and sustainable primary surpluses .

Despite this more adverse environment, Brazilian economic activity has shown resilience and shown some positive signs. The unemployment rate has been decreasing, tax collection has shown vigor and the Gross Domestic Product (GDP) growth projections have improved, albeit timidly. In the first quarter of 2022, the GDP grew 1% compared to the fourth quarter of 2021 and is 1.5% above the level before the pandemic. Last year, the Brazilian economy managed to recover from the losses of 2020, registering 4.6% growth.

In general, due to the uncertainties, the environment has been unfavorable to private investment, further increasing the loss of competitiveness and productivity of the national industry. With this, the leasing industry does not find room to develop its full business potential, contributing to the sustainable growth of the economy.

The Present Value of the Portfolio (VPC) in 2021 showed a balance of R\$13.895 billion, an increase of 22.46% about 2020. Among the most leased assets were machinery and equipment, responsible for 47.92% of the total portfolio; vehicles and related items, with 9.45%; aircraft, with 28.15%; and other types of goods, 14.48%.

The credit market in Brazil presents itself in relation to the Gross Domestic Product (GDP) with a participation of 51.7%, according to data from the Central Bank of Brazil, while the leasing sector accounts for only 0.20%, participations considered low in comparison to developed countries.

In addition to all these challenges, Brazil still suffers from the lack of an economic policy that contemplates long-term structural growth, the lack of the necessary conditions for the establishment of effective legal security in economic relations, and the lack of a simplified, more distributive tax system that can truly promote the rearrangement of our socioeconomic priorities, seeking efficiency and equity among all entities of the economy. The complex national tax system scares away investments.

Only with adjustments in this direction will it be possible to reduce uncertainties, lengthen horizons, and grow in a consistent, inclusive, and sustainable way.

## Present portfolio value - Top lessors in 2021

POSITION	COMPANY	TOTAL US\$	CONTRACTS	SHARE%
1	Bradesco Leasing S/A Arrendamento Mercantil	541.345.387	4.418	22,02
2	Banco IBM S/A	490.602.611	225	19,95
3	Santander Leasing S/A Arrendamento Mercantil	448.271.989	5.247	18,23
4	Daycoval Leasing - Banco Múltiplo S/A	314.865.105	4.143	12,81
5	HP Financial Services Arrendamento Mercantil S/A	265.476.502	4.564	10,80
6	Alfa Arrendamento Mercantil S/A	112.348.449	499	4,57
7	Banco de Lage Landen Brasil S/A	106.341.256	1.214	4,32
8	Banco Bradesco Financiamentos S/A	39.717.220	41.002	1,62
9	BB Leasing S/A Arrendamento Mercantil	36.498.718	503	1,48
10	SG Equipment Finance S.A. Arrendamento Mercantil	35.974.860	308	1,46
11	Banco RCI Brasil S/A	28.835.145	11.737	1,17
12	Banco Itaucard S/A	17.513.897	8.481	0,71
13	CCB Brasil Arrendamento Mercantil S/A	12.495.634	85	0,51
14	Banco Citibank S/A	4.513.038	238	0,18
15	Banco Toyota do Brasil S/A	4.067.529	158	0,17
16	Banco Bradesco S/A	0	0	0,00
<b>Total</b>		<b>2.458.867.339</b>	<b>82.822</b>	<b>100,00</b>

Source : Abel - Brazilian Association of Leasing Companies.

## New investments -Top lessors in 2021

POSITION	COMPANY	TOTAL(US\$)	CONTRACTS	SHARE%
1	Bradesco Leasing S/A Arrendamento Mercantil	351.480.637	889	24,14%
2	Santander Leasing S/A Arrendamento Mercantil	283.988.015	1.352	19,51%
3	Banco IBM S/A	251.913.604	26	17,30%
4	Daycoval Leasing - Banco Múltiplo S.A	208.730.548	1.343	14,34%
5	HP Financial Services Arrendamento Mercantil S/A	165.525.943	1.643	11,37%
6	Alfa Arrendamento Mercantil S/A	61.175.937	168	4,20%
7	Banco de Lage Landen Brasil S/A	59.310.226	293	4,07%
8	Banco Bradesco Financiamentos S/A	28.678.826	318	1,97%
9	BB Leasing S/A - Arrendamento Mercantil	25.123.477	154	1,73%
10	SG Equipment Finance S.A. Arrendamento Mercantil	12.243.459	57	0,84%
11	CCB Brasil Arrendamento Mercantil S.A	4.737.157	45	0,33%
12	Banco Toyota do Brasil S/A	2.438.311	81	0,17%
13	Banco Citibank S/A	522.966	12	0,04%
14	Banco Bradesco S/A	0	0	0,00%
15	Banco Itaucard S/A	0	0	0,00%
16	Banco RCI Brasil S/A	0	0	0,00%
<b>Total</b>		<b>1.455.869.106</b>	<b>6.381</b>	<b>100,00</b>

Source: Abel - Brazilian Association of Leasing Companies

## Equipment leased 2011-2021 (US\$ M)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Vehicles and related	17.283	10.862	4.810	3.067	1.572	1.365	1.088	757	749	376	247
Machinery and equipment	6.310	5.869	5.275	3.407	1.972	1.772	1.496	1.170	1.376	1.128	1.252
Aircraft	578	660	854	895	569	498	506	400	545	511	735
Computer equipment	1.036	1.175	686	405	276	307	384	287	259	229	267
Installations	89	72	51	69	40	37	15	31	32	23	18
Furniture	89	67	58	56	29	28	27	18	17	14	12
Ships	58	53	61	75	46	40	45	25	15	10	3
Real estate	59	84	40	28	21	20	17	6	5	3	2
Others	43	45	18	98	107	130	103	44	21	8	6
<b>Total</b>	<b>25.545</b>	<b>18.887</b>	<b>11.853</b>	<b>8.100</b>	<b>4.632</b>	<b>4.197</b>	<b>3.681</b>	<b>2.738</b>	<b>3.019</b>	<b>2.302</b>	<b>2.542</b>

Source: Abel - Brazilian Association of Leasing Companies

## Collectible leases per sector 2011-2021 (US\$ M)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Individuals</b>	20.007	9.779	4.855	1.949	684	625	452	337	297	139	106
<b>Services</b>	6.759	5.802	5.138	5.353	3.236	3.043	2.568	2.029	2.006	1.441	1.566
<b>Commerce</b>	2.043	1.740	1.237	1.065	593	607	618	597	568	375	461
<b>Industry</b>	3.354	2.610	2.060	1.751	921	810	673	632	525	417	471
<b>Government</b>	97	158	76	167	126	109	79	50	31	12	8
<b>Others</b>	1.237	978	490	468	157	108	70	70	83	79	135
<b>Total</b>	<b>33.497</b>	<b>21.067</b>	<b>13.856</b>	<b>10.753</b>	<b>5.717</b>	<b>5.302</b>	<b>4.460</b>	<b>3.715</b>	<b>3.510</b>	<b>2.463</b>	<b>2.747</b>

Source: Abel - Brazilian Association of Leasing Companies