

NPL&REO in Brazil 2024

SPRING UPDATE

The Brazilian NPL sales market is expected to accelerate in 2024, following the slowdown observed in 2023. The country has strong economic fundamentals and is positioned to generate very attractive returns.

Economy

The Brazilian economy has again outperformed initial expectations, with GDP growth estimated at 3.0% in 2023, the same as the previous year and driven by a strong boost from the agricultural sector. GDP growth is expected to slow in 2024.

2.9% (2022) =

3.0%

**GDP GROWTH 2023
(FORECAST)**

SOURCE: IBRE/FGV AND IBGE

5.8% (2022) ↓

4.6%

**INFLATION RATE 2023
(IPCA)**

SOURCE: IBGE

3.0% (2023) ↓

1.7%

**GDP GROWTH 2024
(FORECAST)**

SOURCE: CENTRAL BANK
OF BRAZIL

Property Market

In the first nine months of 2023, the number of house sales was lower than in the same period of 2022. Nevertheless, at -3.0%, the fall is not particularly robust, and sales have tended to rise from quarter to quarter over the year. Prices continued to rise in 2023, albeit at a slower pace than in 2022.

242,200 (Q1-Q3 2022) ↓

234,900

**DWELLINGS SOLD
(Q1-Q3 2023)**

SOURCE: CBIC

2.1% (Q1-Q3 2022) ↓

-3.0%

**Y-O-Y VARIATION IN HOUSING
SALES (Q1-Q3 2023)**

SOURCE: CBIC

6.2% (2022) ↓

5.1%

**Y-O-Y HOUSING PRICE
VARIATION (2023)**

SOURCE: FIPEZAP

€1,546/sqm (2022) ↑

€1,620/sqm

**HOUSING AVERAGE SALES
PRICE (2023)**

SOURCE: FIPEZAP

5.1% (2022) ↓

4.7%

**SÃO PAULO Y-O-Y HOUSING
PRICE VARIATION (2023)**

SOURCE: FIPEZAP

2.2% (2022) ↓

1.4%

**RIO DE JANEIRO Y-O-Y HOUSING
PRICE VARIATION (2023)**

SOURCE: FIPEZAP

NPL Stock and Ratio

At the end of 2023, Brazil had around €35.1bn of NPLs in the national financial system. This represents an increase of 18% year-on-year. Although significant, this annual growth rate sits below the one observed in 2022, when the NPL stock grew by nearly 50%. Both the household sector and the corporate sector recorded

€29.8bn (DEC. 2022) ↑

€35.1bn

**NPL STOCK IN NATIONAL
FINANCIAL SYSTEM (DEC. 2023)**

SOURCE: CENTRAL BANK
OF BRAZIL

3.0% (DEC. 2022) ↑

3.3%

NPL RATIO (DEC. 2023)

SOURCE: CENTRAL BANK
OF BRAZIL

€57.9bn (DEC. 2022) ↑

€68.4bn

**VOLUME OF CONSUMER NPL
(DEC. 2023)**

SOURCE: SERASA

an increase in defaults, but it was in the latter sector that the NPL stock increased the most (+65%). However, households continue to account for the largest share of NPLs in the national financial system, with 68% of the total. In addition to NPLs in the Brazilian financial system, there are also consumer defaults in the non-financial system. These amount to €68.4 billion and affect 71.1 million Brazilians. Both indicators have increased in comparison with 2022, with the most significant increase being in the total value of the debts (+18%). The NPL ratio ended 2023 at 3.3%, higher than the 3.0% recorded in December 2022. In any case, the ratio at the end of 2023 is lower than the 3.5% at mid-year.



HOUSEHOLDS (DEC. 2023)

77.0% (DEC. 2022) ↓

68.0%

OF NPLS IN BRAZILIAN
FINANCIAL SYSTEM
€23.9bn/4.2% Y-O-Y
SOURCE: CENTRAL BANK
OF BRAZIL

3.9% (DEC. 2022) ↓

3.7%

NPL RATIO IN THE HH
SOURCE: CENTRAL BANK
OF BRAZIL



NON-FINANCIAL CORPORATIONS (DEC. 2023)

23.0% (DEC. 2022) ↑

32.0%

OF NPLS IN BRAZILIAN
FINANCIAL SYSTEM
€11.2bn/65.1% Y-O-Y
SOURCE: CENTRAL BANK
OF BRAZIL

1.7% (DEC. 2022) ↑

2.7%

NPL RATIO IN NFCS
€3.2bn/-22.0% Y-O-Y
SOURCE: CENTRAL BANK
OF BRAZIL

NPL Potential Deals

The volume of non-performing loans in Brazil grew strongly in 2023, increasing by around 20% both in the amount held in the National Financial System, which now stands at €35.1 billion, and in the non-financial sector, where 71.1 million Brazilians hold €68.4 billion in defaults.

However, these increases are only expected to produce effects over the sales dynamics of NPL portfolios over 2024, as in 2023 the transactions involving this type of assets are expected to have slowed considerably. Prime Yield's initial estimates for 2023 indicate that NPL deals in the country would grow by 16% year-on-year, reaching a volume of around €12.5-13.5 billion. It is believed that NPL portfolios worth this amount may have been offered to the market, but the transactions completed or close to completion during the year will have sat around 55% of the amount initially forecasted. Specifically, estimates at the end of the year put the volume of NPL portfolios sold at between €7.0 billion and €8.0 billion, which represents a decrease of around 35% compared to the volumes transacted in 2022.

One of the factors influencing this slowdown and the revision compared with the initial estimates for the year was the debt renegotiation processes, with the government's Desenrola Brasil programme standing out, creating special conditions for the renegotiation of household debt with a view to reducing indebtedness. The entry into force of this programme meant that many companies with portfolios for sale adopted a wait-and-see attitude before putting their NPL up for sale.

In any case, this slowdown in NPL sales is not the result of a lack of interest in the Brazilian market on the part of global investors. On the contrary. There is a growing appetite for this market among international investors, who are looking for high returns in Brazil in the context of a country with high potential growth in terms of transaction volumes, compared to countries in more mature stages of deleveraging.

€7-8bn

NPL SALES 2023
(ESTIMATED)
SOURCE: PRIME YIELD

About Prime Yield part of Gloval NPL&REO Services

Established in 2005 and since 2018 a part of Gloval, a leading property services group that provides integrated valuation, engineering and consulting services, Prime Yield delivers valuation, research and advisory/consultancy services and has been focusing on the NPL&REO market, specializing in Europe and Latin America. The company has an NPL&REO specialized business area, supported by Prime AVM&Analytics, an advanced technological solution that allows NPL's investors and sellers to have property valuations in a fast, simple and reliable way both for single assets and entire portfolios. Prime Yield is regulated by RICS and REV-TEGoVA, also holding a certification in Quality and Environmental Management (NP EN ISO 9001 and NP EN ISO 14001).

Visit us at <https://nplreo.prime-yield.com>

Contacts

SPAIN

Av. de Manoteras, 44 - 4ª planta | 28050 Madrid
T.: (+34) 915 613 388

PORTUGAL

Av. Columbano Bordalo Pinheiro, 75-9º, | Fração 9.06
1070-061 Lisboa | T.: (+351) 217 902 540

GREECE

1, Neofitou Vamva Street | GR-106 74 – Athens
T.: (+30) 210 68 01 786 int. 16

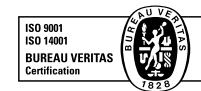
BRAZIL

Av. Brigadeiro Faria Lima, 1.461 – 4º, Torre Sul
Pinheiros | CEP 01452-002 | São Paulo – SP
T.: (+55) 11 3382-1536

e: nplreo@prime-yield.com
www.nplreo.prime-yield.com

rev
Recognised European Valuer

 **RICS** | Chartered
Surveyors



primeyield[®]
GLOVAL
PART OF VAL