

panorama

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Brazil Insolvencies



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Activity in Brazil remains lackluster, inflation stands above the target, interest rates are among the highest in the world, confidence remains at a low level across a variety of indexes and the well-known low investment ratio continues to deteriorate. What is the impact on companies' payment capacity?

The aim of this report is to measure insolvency in Brazil, extract evidence of increasing cases and to verify which are the more sensitive segments. It is worth noting that we use Chapter XI as the parameter throughout this report. Chapter XI was established in the country in 2005, through the New Law of Bankruptcies (number 11.101) and emphasizes the uplift of viable businesses that are experiencing difficulties and trying to avoid bankruptcy (Chapter VII).

Firstly we will present a general overview of the macroeconomic scenario in Brazil. The figures from the first half of 2014, along with forecasts for the upcoming months, will help in understanding the insolvency panorama and the country's insolvency behavior.

Delinquency in Brazil will be then discussed, with 11 segments under consideration, notably 1) Automotive and Transport; 2) Chemicals; 3) Construction; 4) Distribution; 5) Electronics and IT/Telecoms; 6) Food Industry; 7) Textiles and Clothing; 8) Services to Individuals; 9) Other Services; 10) Paper/Wood and 11) Minerals. It is worth noting that insolvency data in Brazil is still very limited. Information such as a company's segment, its number of employees or the amount/cost involved in an insolvency case is not easy to access, or publicly available.

Finally, we will conclude this report with our expectations for the short and medium terms, with Coface's forecast in terms of GDP and, in particular, our expectations in terms of corporate insolvency.

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By Patricia Krause
Economist, Latam