Cryptocurrencies Beat Stocks as the Number One Asset Brazilians Plan to Acquire in 2023

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Brazilian investors are showing a strong preference for cryptocurrency products even as the global market undergoes a phase of high turbulence with no clear signs of uncertainty coming to an end. Indeed, investors are putting their trust in the sector, toppling the well-established traditional financial investment products like equities and precious metals.

In particular, data from a survey published in November and acquired by Finbold indicates that Brazilian respondents at 33% intend to purchase cryptocurrencies

such as Bitcoin (BTC) within the next 12 months. Cryptocurrency ranks top, followed by real estate with a share of 26%, while stocks are in the third spot at 22%. Credit cards are also among the top investment products, in fourth place with a share of 21%, while saving accounts are fifth at 15%.

Elsewhere, for financial products under usage in 2022, cryptocurrencies rank fourth with a share of 26%. Digital assets trail checking account (73%), credit card (72%), and saving account (55%). Notably, the survey was conducted between October 1, 2021, and September 22, 2022, attracting 2,024 respondents aged between 18 and 64.

Drivers of Crypto Adoption in Brazil

Brazilians' intention to invest in cryptocurrencies can be attributed to factors like the effects of the ongoing economic turmoil. Notably, Brazil has been hit with a cocktail of high inflation and devaluation of the local currency as cryptocurrencies emerge as a hedge with investors seeking to protect their wealth and profit from arbitrage in a highly imbalanced economy.

At the same time, a significant share of the population lives below the poverty line with access to mobile banking platforms offering easier access to digital assets. Indeed, the penetration of smartphones is considered a key driver for crypto adoption.

Overall, the growth of cryptocurrencies has ushered in financial inclusion for the masses, offering citizens a more accessible way to save, spend, and protect the value of their money. Cryptocurrencies also satisfy the needs of crypto enthusiasts who view different assets as a means of financial freedom.

Elsewhere, with the growing retail demand for crypto in Brazil, different innovations in the sector are offering residents a more seamless banking experience. Indeed, with the existence of neobanks, users can easily buy, hold and sell cryptocurrencies. The development can be linked to the country's young population; most prefer investing in cryptocurrencies, helping drive the sector to becomean efficient and robust investment and payment option.

Additionally, there is an influx of cryptocurrency entities targeting the growing Brazilian market. For instance, several cryptocurrency exchanges, such as Binance, previously noted that Brazil is a critical strategic market with enormous potential. Similarly, Coinbase also has plans to create an engineering hub in Brazil.

Crypto Dwarfs Traditional Finance Products

The survey findings also point to the potential of the cryptocurrency sector, with digital assets ranking top of traditional products such as equities. Equities and cryptocurrencies have mainly corrected in 2022 as inflation and interest rate hikes prevail.It can also be argued that withthe proponents maintaining that cryptocurrencies will rally again, investors are possibly attempting to capitalize on the bear market to accumulate different assets hoping to profit.

Interestingly, cryptocurrencies largely remain unregulated, unlike stock products that operate in a well-structured ecosystem. Traditional players have also been warming up to the cryptocurrency sector with the Brazilian Stock Exchange unveiling exchange- traded funds (ETFs) linked to Bitcoin and Ethereum (ETH).

Already, some ETFs have emerged as the most profitable investment product. Traditional financial institutions' venture into crypto can be viewed as a means to strengthen the value proposition to users.

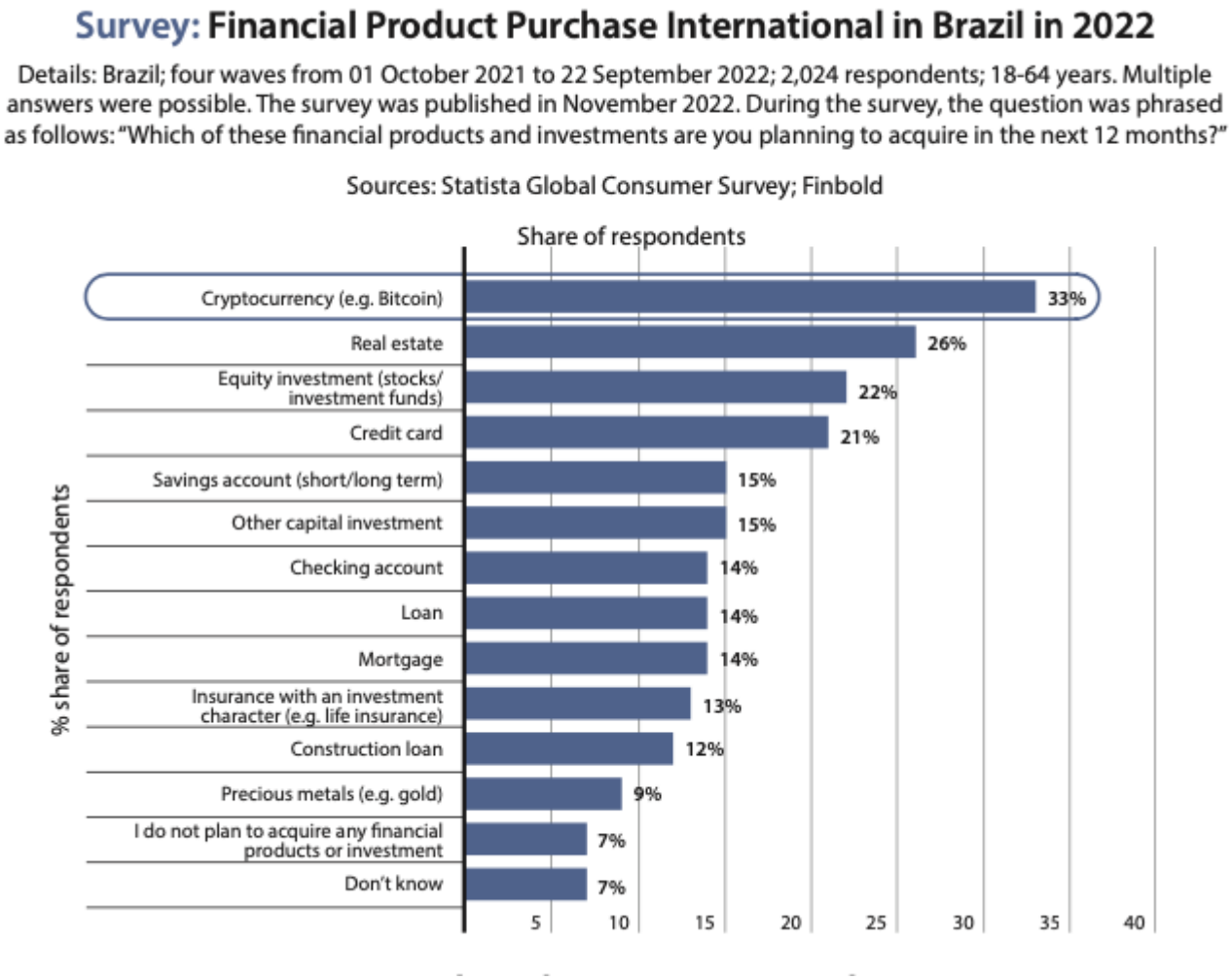
The Regulation Factor

At the same time, the intention to purchase cryptocurrencies will depend on other elements, such as the regulatory space outlook. Despite crypto space growth, most investors have stayed on the sidelines over lack of regulation, considering that part of 2022's market downturn is a result of incidents like the Terra (LUNA) ecosystem crash and the FTX crypto exchange collapse. The possible rollout of regulations has seen entities like banks scramble to attract cryptocurrency inventors. The interest was highlighted by a previous Finbold report that noted that Brazilian challenger bank Nubank amassed about one million cryptocurrency users in barely a month after launching the service.

However, as things stand, Brazilian lawmakers are revising cryptocurrency regulations as they seek to implement rules in response to the growing interest in

digital assets across the country. Part of government involvement has seen the country record activity around rolling out a test of central bank digital currency (CBDC).

At the same time, Brazil's Chamber of Deputies approved a bill regulating the crypto industry. The new proposed law now requires the approval of the executive branch to become law.



Survey: Financial Product Usage in Brazil in 2022

Details: Brazil; four waves from 01 October 2021 to 22 September 2022; 2,024 respondents; 18-64 years. Multiple answers were possible. The survey was published in November 2022. During the survey, the question was phrased as follows: "Which of these financial products and investments do you currently use/own?"

Sources: Statista Global Consumer Survey; Finbold

