

INDUSTRIAL SURVEY

ECONOMIC INDICATORS **CNI**

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Brazilian National Confederation of Industry
THE FUTURE OF INDUSTRY

Lack or high cost of raw materials decrease, and high interest rates stand out among the main problems

The lack or high cost of raw materials, first position in the ranking of the main problems since the beginning of the pandemic, has been mentioned less by industrial entrepreneurs. In Q2 2022, the number of mentions reached the lowest level since Q2 2020.

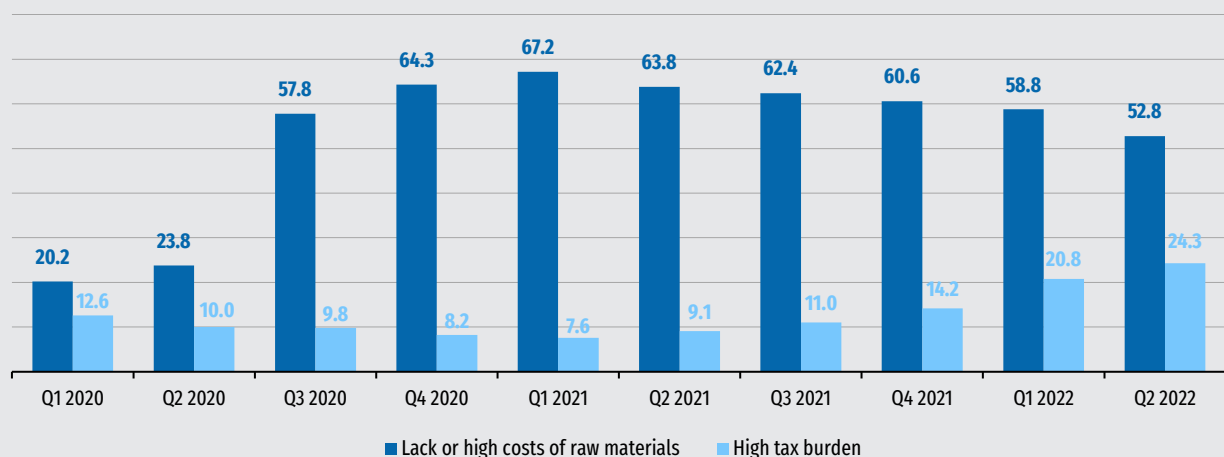
Other problems are being highlighted by entrepreneurs, such as high interest rates, a problem that showed a significant increase in reports over the last five Industrial Surveys.

In the second quarter, entrepreneurs showed greater dissatisfaction with operating profit and greater difficulty in obtaining credit. On the other hand, in the entrepreneur's perception, the pace and dissemination of the increase in the prices of their inputs were lower than in previous quarters and there was a slight increase in satisfaction with the financial situation.

As for the performance of Industry in June 2022, both industrial production and the Capacity Utilization remained stable, in addition to an increase in employment. Inventories are still adjusted to plan, business optimism remained widespread in July and the intention to invest showed a slight drop.

Indication of lack or high cost of raw materials and high interest rates among the main problems faced by the Industry

Percentage (%)



INDUSTRY PERFORMANCE IN JUNE 2022

Industry shows stable production and increase in employment

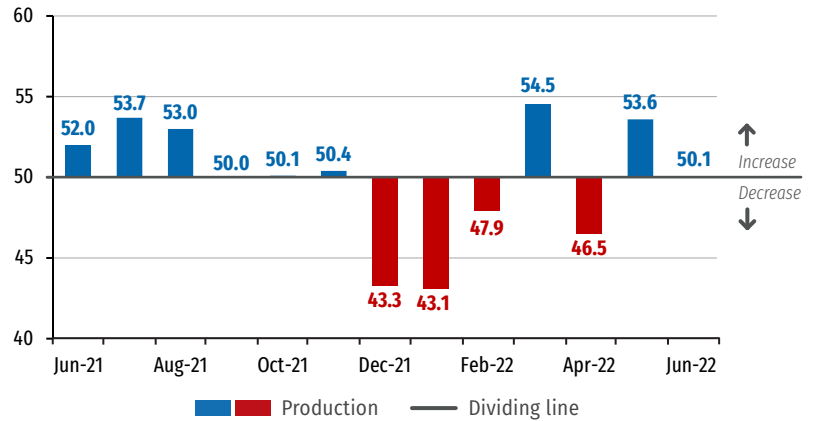
Industrial production remained stable in June 2022, after a month of strong growth. The production evolution index stood at 50.1 points, standing almost on the dividing line of 50 points, which means that production remained stable compared to the previous month. In May, the index had stood at 53.6 points.

It is noteworthy that the average value for the months of June is 47.2 points, lower than the 50 points. In other words, the production rhythm was maintained from May to June 2022, although there is usually a drop in the period.

Industrial employment increased in June 2022 compared to May. The number of employees variation index reached 50.8 points, above the 50-point dividing line that separates falling employment from rising employment. The June 2022 index is very close to that of May (0.2 point lower), which means that the pace of employment growth was similar to the previous month.

Variation of production

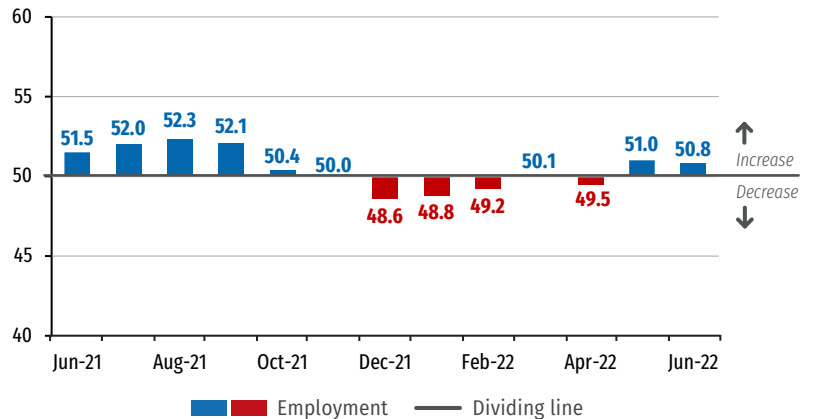
Diffusion index (0 to 100 points)*



*Figures above 50 points show an increase in production compared to the previous month while figures below 50 show a decrease in production compared to the previous month. The further the point score is from 50 points, the greater and more widespread the variation.

Variation of the number of employees

Diffusion index (0 to 100 points)*



*Figures above 50 points show an increase in employment compared to the previous month, while figures below 50 show a decrease in employment compared to the previous month. The further the point score is from 50 points, the greater and more widespread the variation.

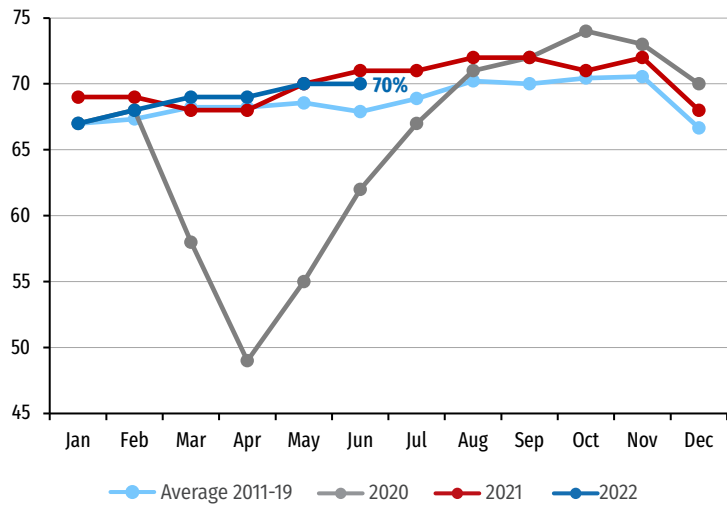
Capacity utilization remains unaltered in June

Capacity Utilization remained at 70% between May and June 2022. It is worth noting that the percentage of June 2022 exceeds the average percentage for the months of June since the beginning of the monthly series, in 2011, which is 67.8%.

The effective versus common Capacity Utilization index registered 44.9 points in June, which is equivalent to an increase of 4.1 points compared to the average for June.

Average capacity utilization

Percentage (%)



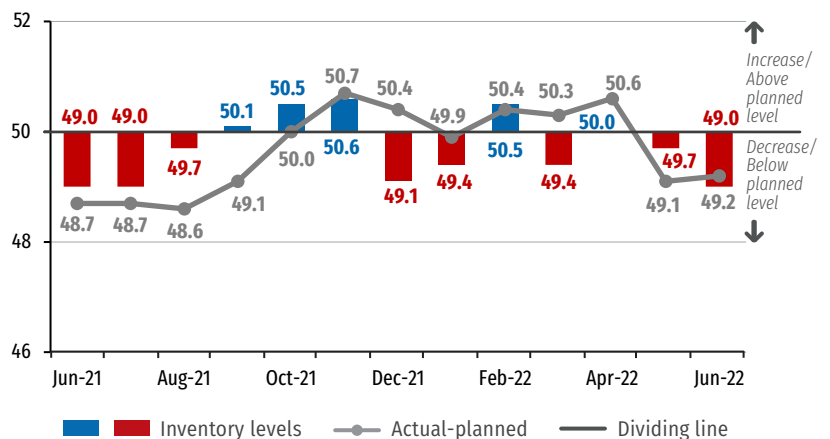
Inventories remain below planned levels

The inventory level variation index stood at 49.0 points, below the 50-point dividing line, which indicates a drop in inventory levels compared to the previous month.

The effective versus planned inventory index showed a result similar to May, moving from 49.1 points to 49.2 points. By remaining close to 50 points, the index shows that inventories remain below the levels planned by the entrepreneurs.

Variation in inventory levels and effective inventory in relation to the planned level

Diffusion index (0 to 100 points)*



*Figures above 50 points indicate an increase in inventory levels or that actual inventory is above planned levels. Figures below 50 points indicate a decline in inventory levels or that actual inventory is below planned levels. The further away from 50 points, the greater the change or the distance from planned levels.

FINANCIAL SITUATION OF THE INDUSTRY IN THE SECOND QUARTER OF 2022

Entrepreneurs' perception of raw material prices is less negative

The raw material price variation index increased compared to the previous quarter. The index stood at 66.9 points, well above the 50-point dividing line, revealing that raw material prices continue to rise. However, there was a decrease of 5.1 points in the index compared to Q1 2022. In addition, the result was the lowest for the index since Q2 2020. That is, in the entrepreneur's perception, the pace and spread of the increase in the prices of their inputs were lower than in previous quarters.

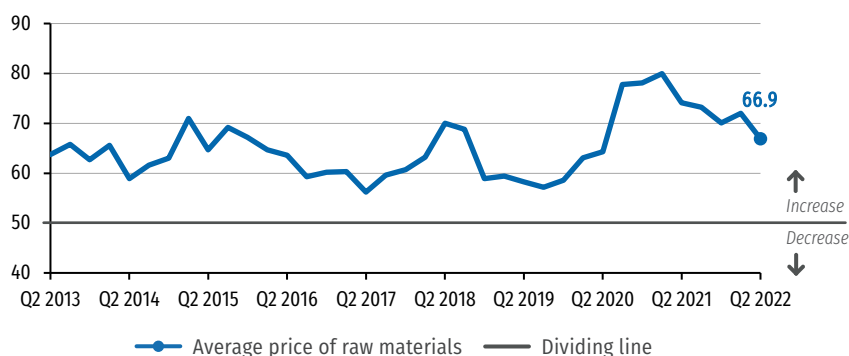
The index that measures satisfaction with operating profit increased 2.0 points, from 44.2 points in Q1 to 46.2 points in Q2 2022. Due to increase, the index moved a bit closer to the dividing line of 50 points, which indicates a decrease in the dissatisfaction of entrepreneurs with the profit margin.

In Q2 2022, entrepreneurs were satisfied with the financial conditions of their companies. The index of satisfaction with the company's financial status increased 1.0 point, to 50.3 points, a result above the dividing line of 50 points. Thus, there was a shift from dissatisfaction to satisfaction with the company's financial conditions this quarter.

The access to credit got worse in the quarter, going from 42.0 points to 41.1 points. The index reveals that companies still find it difficult to obtain credit. This perception occurs due to the current scenario, in which there are successive increases in interest rates, which contribute to worsening the conditions of access to credit for industrial entrepreneurs.

Average price of raw materials

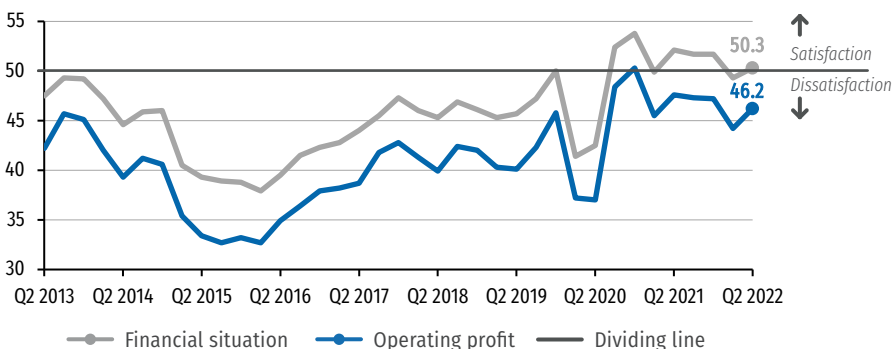
Diffusion index (0-100 points)*



* The index ranges from 0 to 100 points. Figures above 50 points indicate raw materials price increase. Figures below 50 points indicate raw materials price decrease.

Satisfaction with profits and financial situation

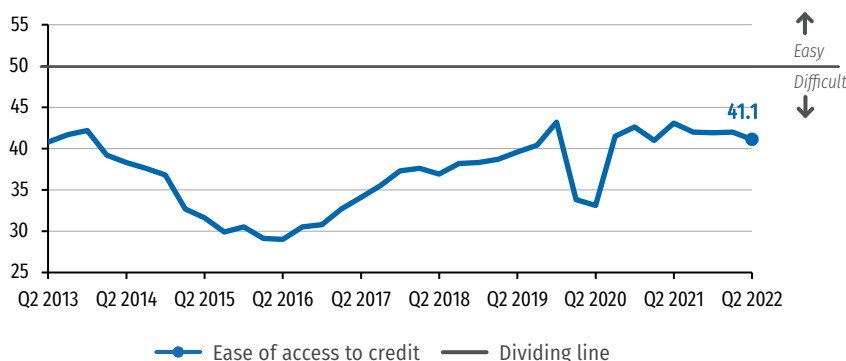
Diffusion index (0-100 points)*



* The index ranges from 0 to 100 points. Figures above 50 points indicate satisfaction. Figures below 50 points indicate dissatisfaction.

Ease of access to credit

Diffusion index (0-100 points)*



* The index ranges from 0 to 100 points. Figures above 50 points indicate easy access to credit. Figures below 50 points indicate difficult access to credit.

PROBLEMS FACED BY THE INDUSTRY IN THE SECOND QUARTER OF 2022

Lack or high cost of raw materials continues to drop, and high interest rates stand out in the quarter

The lack or high cost of raw materials remains the main problem faced by Brazilian industries for the eighth consecutive quarter, mentioned by 52.8% of the companies in Q2 2022. However, over the last surveys, entrepreneurs have reduced their mentions for this item. Compared to Q1 2022, the percentage of mentions dropped by 6 percentage points (pp). Compared to the highest percentage, which occurred in Q1 2021, it is a 14.4 percentage points drop.

The high tax burden remains in second place in the ranking of the main problems, being mentioned by 30.9% of industrial entrepreneurs. This result was virtually the same as the previous quarter - up 0.5 p.p..

The high interest rates showed, for the fifth time in a row, an increase in mentions, occupying the third position of the ranking, with 24.3% mentions. The issue had a 3.5 p.p. increase in the ratings this quarter. Compared to Q1 2021, the percentage increased 16.7 points.

It is the highest percentage value reported for this problem since Q4 2016 when it was mentioned by 27.9% of respondents. This perception on the part of entrepreneurs remains connected to the country's economic scenario, since, given the increase in inflation, the Central Bank continues to make consecutive readjustments in the Selic rate.

Insufficient internal demand comes in fourth place, with 23.0% of the mentions by industrial entrepreneurs, which represents a reduction of 2.5 p.p., in comparison to the previous quarter.

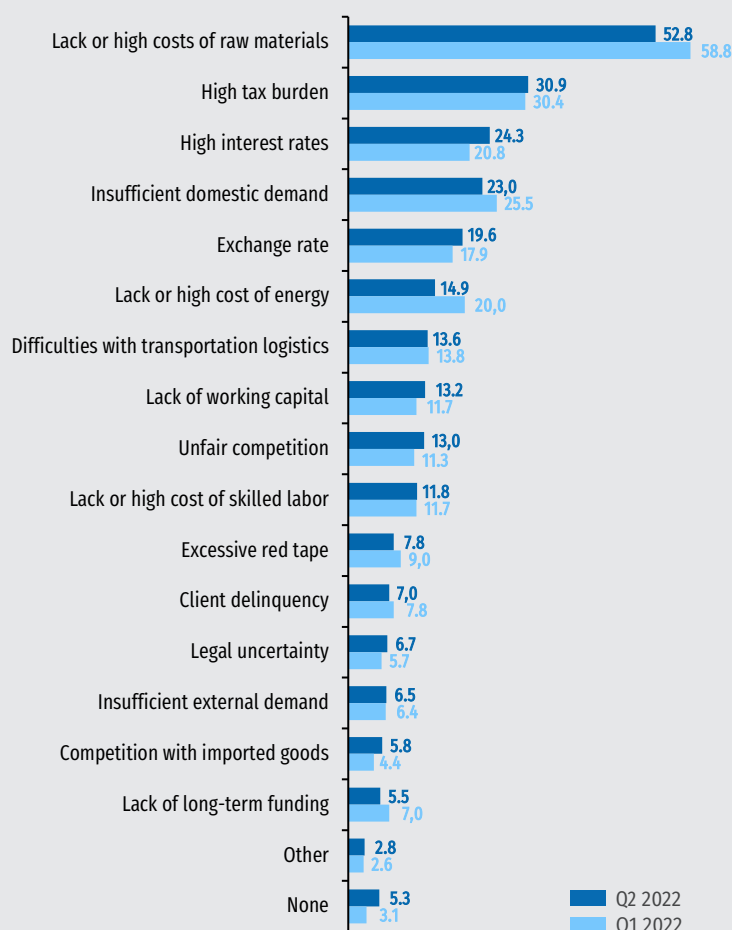
The exchange rate ranked fifth, up one position compared to the

previous quarter. The problem was mentioned by 19.6% of entrepreneurs. Mentions for this issue increased by 1.7 p.p. compared to the previous quarter.

The lack or high cost of energy ranked sixth, with a 5.1 percentage decrease in the number of mentions compared to the previous quarter, to 14.9%. Mentions of this issue dropped for the third time in a row and were the lowest since Q1 2021.

Main problems faced by industry in the quarter

Percentage (%)*



*In the survey, entrepreneurs are asked to indicate up to three items representing the main problems faced by their companies, so the sum of the percentages exceeds 100%.

INDUSTRY EXPECTATIONS IN JULY 2022

More optimistic expectations in July

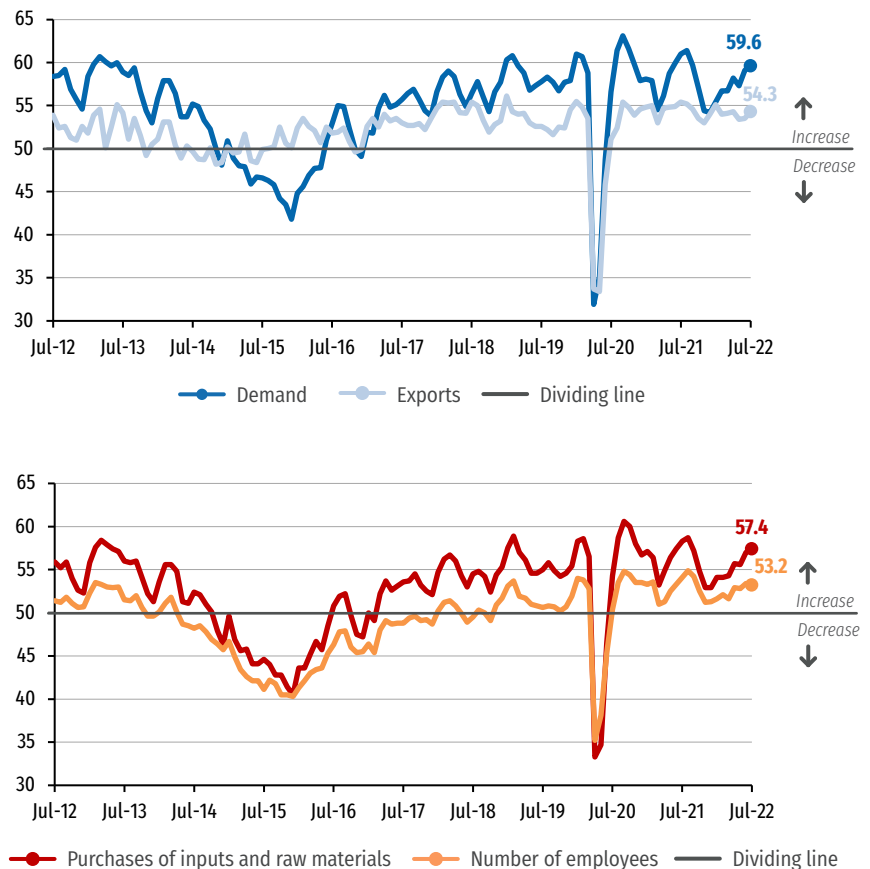
All the expectation indices for July 2022 reveal positive perspectives for the industrial entrepreneur. The indices related to expected demand, exported quantity and purchases of raw materials show, in fact, more favorable perspectives than those of June.

The demand expectation index for July 2022 reached 59.6 points, the highest value since September 2021. Compared to the previous month, the growth was 0.5 point. The exported quantity index stood at 54.3 points, up 0.8 points compared to the previous month. The expectation index of purchases of raw materials stood at 57.4 points, a result 0.4 point higher than in June.

The expectation index for the number of employees was the only one that suffered a reduction from June to July 2022: dropping 0.2 points, to 53.2 points.

Expectation indices

Diffusion index (0 to 100 points)*



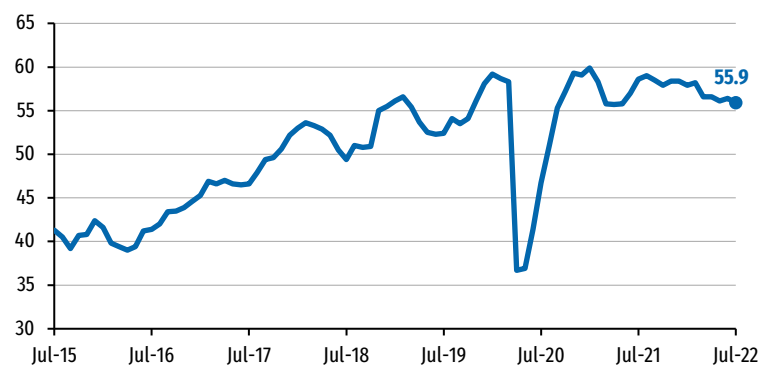
* Figures above 50 points indicate an expected growth. Figures below 50 points indicate an expected decline. The further away from 50 points, the greater and more widespread the expected change.

Intention to invest remains relatively high

The intention to invest index decreased to 55.9 points in July 2022, a 0.5 point drop compared to the previous month. It is the lowest result since May 2021, when it stood at 55.8 points. However, intention to invest remains relatively high, as the index remains above the historical average of 51.2 points.

Investment intention

Diffusion index (0-100 points)*



*The higher the index, the greater the industry's propensity to invest.

RESULTS

Main problems

ITEMS	TOTAL			SMALL			MEDIUM			LARGE		
	Q1 2022	Q2 2022	Ranking	Q1 2022	Q2 2022	Ranking	Q1 2022	Q2 2022	Ranking	Q1 2022	Q2 2022	Ranking
Lack or high costs of raw materials	58.8	52.8	1	57.5	50.5	1	55	50.9	1	61.4	54.9	1
High tax burden	30.4	30.9	2	35.1	34.9	2	34.5	34.7	2	26.0	27.0	3
High interest rates	20.8	24.3	3	17.1	20.4	5	20.6	22.3	4	22.8	27.2	2
Insufficient domestic demand	25.5	23.0	4	24.2	22.6	3	27.0	22.4	3	25.3	23.5	5
Exchange rate	17.9	19.6	5	8.7	11.1	10	14.7	15.9	6	24.2	25.7	4
Lack or high cost of energy	20.0	14.9	6	21.0	16.8	6	20.5	16.5	5	19.2	13.2	7
Difficulties with transportation logistics	13.8	13.6	7	9.1	8.6	11	12.7	12.7	8	16.7	16.6	6
Lack of working capital	11.7	13.2	8	15.9	16.3	7	13.0	13.8	7	8.9	11.4	8
Unfair competition	11.3	13.0	8	19.5	21.4	4	13.3	12.3	10	6.2	9.1	10
Lack or high cost of skilled labor	11.7	11.8	10	15.6	16.2	8	13.3	12.4	9	8.9	9.3	9
Excessive red tape	9.0	7.8	11	9.1	7.7	12	10.2	6.7	14	8.4	8.4	11
Client delinquency	7.8	7.0	12	11.7	11.2	9	6.7	7.1	12	6.4	4.8	16
Legal uncertainty	5.7	6.7	13	3.4	4.4	16	5.6	7.3	11	6.8	7.6	12
Insufficient external demand	6.4	6.5	14	5.6	6.3	13	5.8	5.9	15	7.1	6.9	13
Competition with imported goods	4.4	5.8	15	3.2	4.5	15	6.2	6.8	13	4.1	6.0	14
Lack of long-term funding	7.0	5.5	16	6.3	5.8	14	7.0	5.9	15	7.3	5.2	15
Other	2.6	2.8	-	1.6	2.1	-	2.6	3.3	-	3.0	2.8	-
None	3.1	5.3	-	4.8	5.3	-	3.3	5.8	-	2.1	5.0	-

Note: In the survey, entrepreneurs are asked to indicate up to three items representing the main problems faced by their companies, so the sum of percentages exceeds 100%.

Industry Performance

	PRODUCTION EVOLUTION			NUMBER OF EMPLOYEES EVOLUTION			CAPACITY UTILIZATION (%)			ACTUAL-USUAL CAPACITY UTILIZATION			INVENTORIES LEVELS EVOLUTION			ACTUAL-PLANNED INVENTORIES		
	Jun-21	May-22	Jun-22	Jun-21	May-22	Jun-22	Jun-21	May-22	Jun-22	Jun-21	May-22	Jun-22	Jun-21	May-22	Jun-22	Jun-21	May-22	Jun-22
Total	52.0	53.6	50.1	51.5	51.0	50.8	71	70	70	47.0	46.1	44.9	49.0	49.7	49.0	48.7	49.1	49.2
BY INDUSTRIAL ACTIVITY																		
Mining and quarrying	53.5	54.4	52.7	54.6	51.3	52.2	79	80	78	50.6	52.7	49.2	41.4	49.8	47.5	48.4	50.9	52.8
Manufacturing	52.0	53.5	50.0	51.3	51.0	50.7	71	70	69	46.9	45.9	44.8	49.2	49.7	49.0	48.8	49.1	49.1
BY COMPANY SIZE																		
Small ¹	51.2	50.8	48.0	50.4	50.2	50.2	63	64	63	44.8	44.7	43.3	48.4	47.2	46.6	46.9	44.7	45.1
Medium ²	50.2	53.0	49.9	50.0	50.8	51.2	68	69	69	45.8	45.7	45.6	47.9	50.5	50.2	47.3	49.4	48.8
Large ³	53.3	55.3	51.2	52.8	51.5	50.8	76	74	73	48.8	47.1	45.4	49.9	50.5	49.5	50.4	51.2	51.5

Indicators range from 0 to 100 points. Figures above 50 indicate an increase, above-planned inventories or capacity utilization higher than usual. On the other hand, figures below 50 suggest a decrease, lower-than-planned inventories or a capacity utilization lower than usual.

1 - Company with 10 to 49 employees. 2 - Company with 50 to 249 employees. 3 - Company with 250 or more employees.

Financial conditions in the quarter

	PROFITS			AVERAGE PRICE OF RAW MATERIALS			FINANCIAL SITUATION			ACCESS TO CREDIT		
	Q2 2021	Q1 2022	Q2 2022	Q2 2021	Q1 2022	Q2 2022	Q2 2021	Q1 2022	Q2 2022	Q2 2021	Q1 2022	Q2 2022
Total	47.6	44.2	46.2	74.1	72.0	66.9	52.1	49.3	50.3	43.1	42.0	41.1
BY INDUSTRIAL ACTIVITY												
Mining and quarrying	50.8	50.2	55.7	69.3	75.6	67.9	55.0	54.2	57.4	44.3	53.0	52.0
Manufacturing	47.4	44.0	45.9	74.4	71.9	66.9	51.9	49.0	50.1	43.0	41.7	40.9
BY COMPANY SIZE												
Small ¹	43.3	41.3	43.0	74.4	74.7	68.6	46.7	44.5	45.8	38.9	38.9	36.4
Medium ²	44.4	42.7	44.9	73.2	71.6	67.2	49.0	48.0	49.2	42.0	40.7	40.3
Large ³	51.5	46.5	48.5	74.4	70.9	65.9	56.3	52.3	53.2	45.7	44.3	43.9

The indicators range in the 0-100 interval. Figures above 50 points indicate satisfaction with profits and with financial conditions, easy access to credit or an increase in the average price of raw materials. Figures below 50 points indicate dissatisfaction with profits and with financial conditions, difficult access to credit or a decrease in the average price of raw materials.

1 - Company with 10 to 49 employees. 2 - Company with 50-249 employees. 3 - Company with 250-plus employees.

Industrial Expectations

	DEMAND			EXPORTS VOLUMES			PURCHASES OF RAW MATERIALS			NUMBER OF EMPLOYEES			INVESTMENT INTENTIONS*		
	Jul-21	Jun-22	Jul-22	Jul-21	Jun-22	Jul-22	Jul-21	Jun-22	Jul-22	Jul-21	Jun-22	Jul-22	Jul-21	Jun-22	Jul-22
Total	61.0	59.1	59.6	55.4	53.5	54.3	58.3	57.0	57.4	54.1	53.4	53.2	58.6	56.4	55.9
BY INDUSTRIAL ACTIVITY															
Mining and quarrying	59.3	56.4	60.9	59.6	57.1	60.2	55.5	57.1	59.6	52.4	52.3	54.0	63.9	69.7	63.6
Manufacturing	61.0	59.2	59.5	55.3	53.3	54.2	58.5	57.0	57.3	54.2	53.4	53.2	58.3	55.9	55.6
BY COMPANY SIZE															
Small ¹	60.4	58.2	58.5	53.1	50.9	52.8	58.3	56.5	56.3	53.6	53.4	52.2	46.1	46.3	44.2
Medium ²	60.8	58.6	60.3	56.1	54.7	54.3	58.6	57.0	57.6	53.9	53.6	53.6	55.5	55.4	55.1
Large ³	61.4	59.8	59.7	56.1	54.1	55.1	58.2	57.3	57.8	54.5	53.3	53.5	66.4	62.0	62.2

Indicators range from 0 to 100 points. Figures above 50 points show expectations of growth while figures below 50 points show an expected decrease.

*Indicator ranges from 0 to 100 points. The higher the index, the greater the propensity to invest in the industry.

1 - Company with 10 to 49 employees. 2 - Company with 50 to 249 employees. 3 - Company with 250 or more employees.



Technical specifications

Sample profile

1,853 enterprises, including 730 small, 660 medium and 463 large companies.

Collection period

July 1-11, 2022.

Document completed on July 14, 2022.



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Subscriptions: Customer Service - Phone: +55 (61) 3317-9992 - email: sac@cni.com.br

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