

INVESTMENTS IN **INDUSTRY**

2021-2022



Brazilian National Confederation of Industry
THE FUTURE OF INDUSTRY



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ECONOMIC INDICATORS **CNI**

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TABLE OF CONTENTS

Executive summary	7
1 Investment in 2021	8
2 Investment in 2022	12



EXECUTIVE SUMMARY

Resumption in 2021 and more caution for 2022

The Investments in Industry survey presents a diagnosis on the investments of large companies in the manufacturing industry in Brazil since 2010. In its current edition, it is clear that the percentage of companies that effectively invested in 2021 (79% of companies) is the highest percentage since 2014.

It is also worth noting that in 62% of the cases, the 2021 investment plans were carried out as planned, a considerable improvement over 2020, when only 47% of the investments were executed as planned.

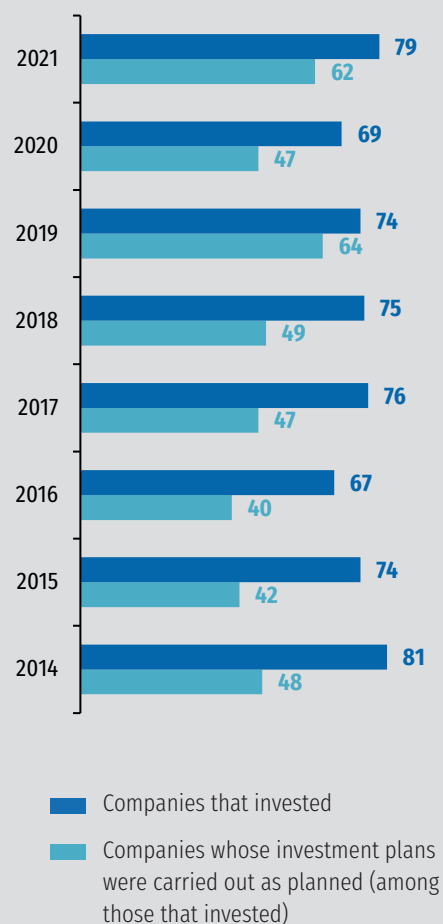
Rising input costs were identified as the main reason for the thwart of investment plans in 2021. The uncertainty of the economic context and the drop in revenues, which limits resources to invest, were also mentioned as reasons for preventing investment. The significant portion of own resources as a source of funds for investment stands out.

Regarding the investments planned for 2022, however, there is a little more caution. The percentage of companies that indicated an intention to invest, 75% in 2022, is lower than in previous years. This percentage exceeded 80% of companies since 2018.

Among the planned investments, productivity continues to guide the industry's investment plans (improving the production process remains the main objective of the planned investment). The demand for increasing production capacity, on the other hand, has lost importance in investment, while the intention to invest in the maintenance of production capacity has increased considerably. As in 2021, the increase in the cost of inputs, the uncertainty of the economic context, and the drop

Graph 1 - Investments made and investments carried out as planned

Share (%) in all valid responses (investments made) and in all companies that invested by year (as planned)



in revenues are the main reasons for deciding not to invest. It is noteworthy that, in addition, the expectation of low demand also led entrepreneurs to decide not to invest in 2022.

1 INVESTMENT IN 2021

Investment resumed growth among large companies

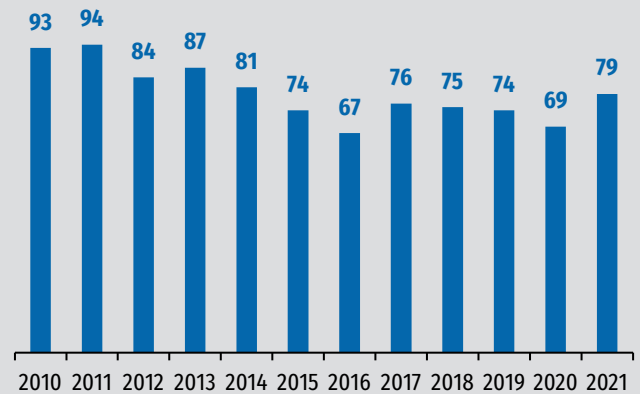
The Investment in Industry survey shows that 79% of the large manufacturing companies have made investments in 2021. This is the highest percentage since 2014.

In 2021, the degree of completion of investments also improved compared to 2020. 62% of large companies reported that the investments planned for 2021 were carried out as planned. In 2020, less than half of the investments were carried out as planned (47% of total valid answers).

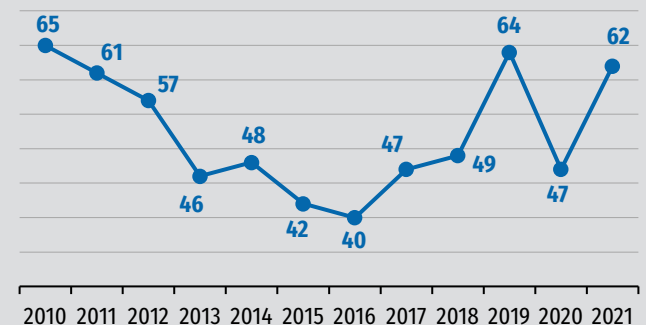
Regarding the type or nature of the investment, 75% reported that they had acquired new machinery and equipment. 68% reported that they invested in the maintenance or upgrade of machinery and equipment.

Improving the plant, factory or warehouse is the third largest type of investment made, with 67% of answers.

Graph 2 - Percentage of companies that invested by year
Share (%) in total valid responses

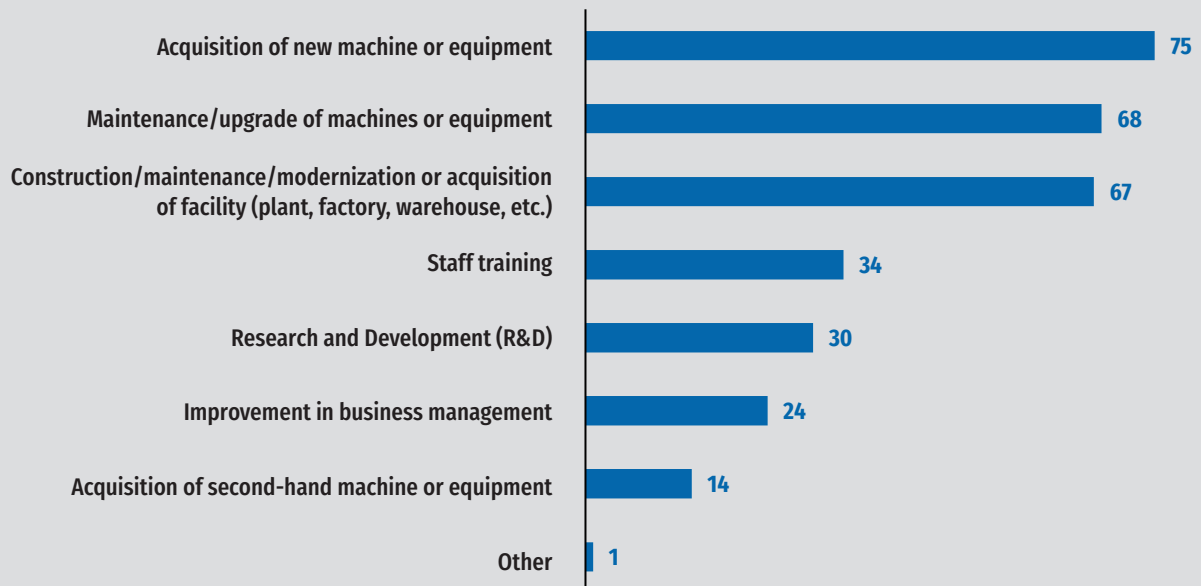


Graph 3 - Investments carried out as planned
Share (%) of all companies with investment plans



Graph 4 - Type or nature of the investment

Share (%) of all companies with investment plans



Own resources are still the main source of investment for large industries

Since the survey was first conducted, the main source of investment financing for large industries is the use of their resources (74%). Over the years, the share of this source has increased, hovering above 70% since 2015.

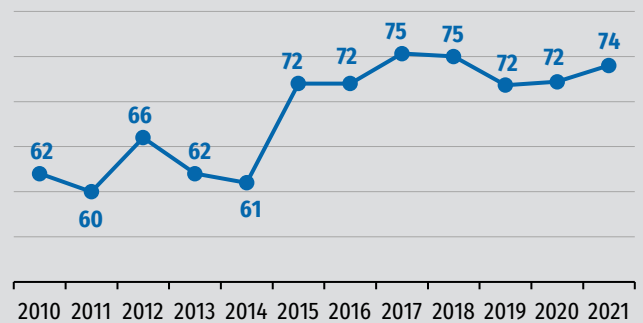
At the same time, there was a drop in official development banks. They represent, today, only 7% of funding sources. The peak of development bank participation occurred in 2011, when it accounted for 22% of the total sources of financing for investment.

Financing by private commercial banks stands out, with 11%, which has remained the second main source of financing since 2018. Together, the public offering of shares, the creation of joint ventures or

partnerships, and the issue of debentures did not reach 1% of the funding sources.

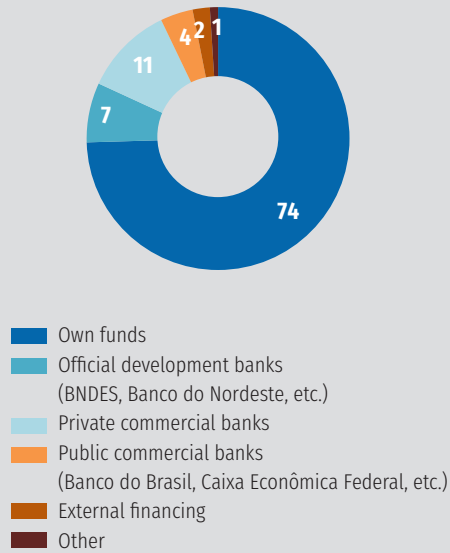
Graph 5 - Share of own resources in the total funding sources for investment

Average percentage (%) considering valid responses from investing companies



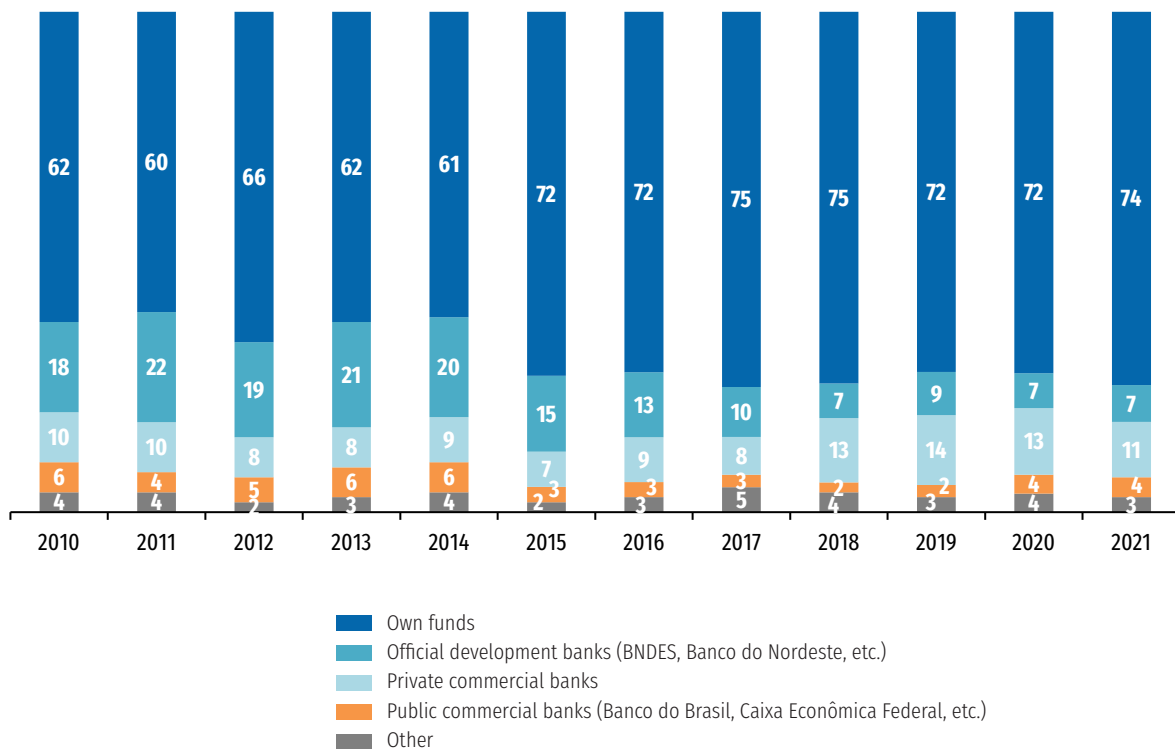
Graph 6 - Main sources of financing for investment made in 2021

Average percentage (%) considering valid responses from investing companies



Graph 7 - Funding sources for investments made

Average percentage (%) considering valid responses from investing companies



Graph 8 – Main reason for the thwart of investment plans in 2021*Share (%) of the total number of companies whose investment plans have been partially carried out, postponed or canceled***Rising input costs were the main obstacle to investing in 2021**

2021 was marked by increases in production costs. For 36% of large companies, the increase in input costs was the main reason that thwarted investment plans in 2021.

For 18% of companies, the main reason that thwarted investment expectations was the uncertainty of the economic context. And, for 14% of companies, the main reason was the drop in revenues.

The fact that rising costs and drop in revenues are in the top positions, because they limit the resources available for investment, expose the problem of dependence on the use of own resources as the main source of funds for investment.

2 INVESTMENT IN 2022

Investment expectations for 2022 drop, in a year full of uncertainties

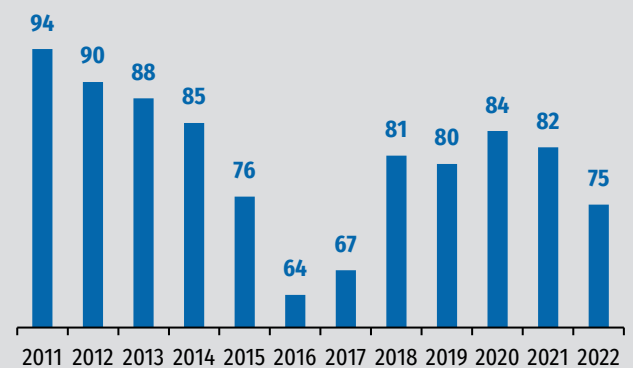
The percentage of large companies in the manufacturing industry that intended to invest in 2022 is 75%. This percentage has been above 80% since 2018. The main objective of investment planned for 2022 was to improve the production process, according to 32% of the companies that intended to invest.

The percentage of companies that intend to maintain their current productive capacity grew twelve percentage points compared to the entrepreneurs' intention to invest in 2021, from 15% to 27%. Conversely, the percentage of large companies that plan to increase the capacity of the current line has reduced, from 33% to 25%.

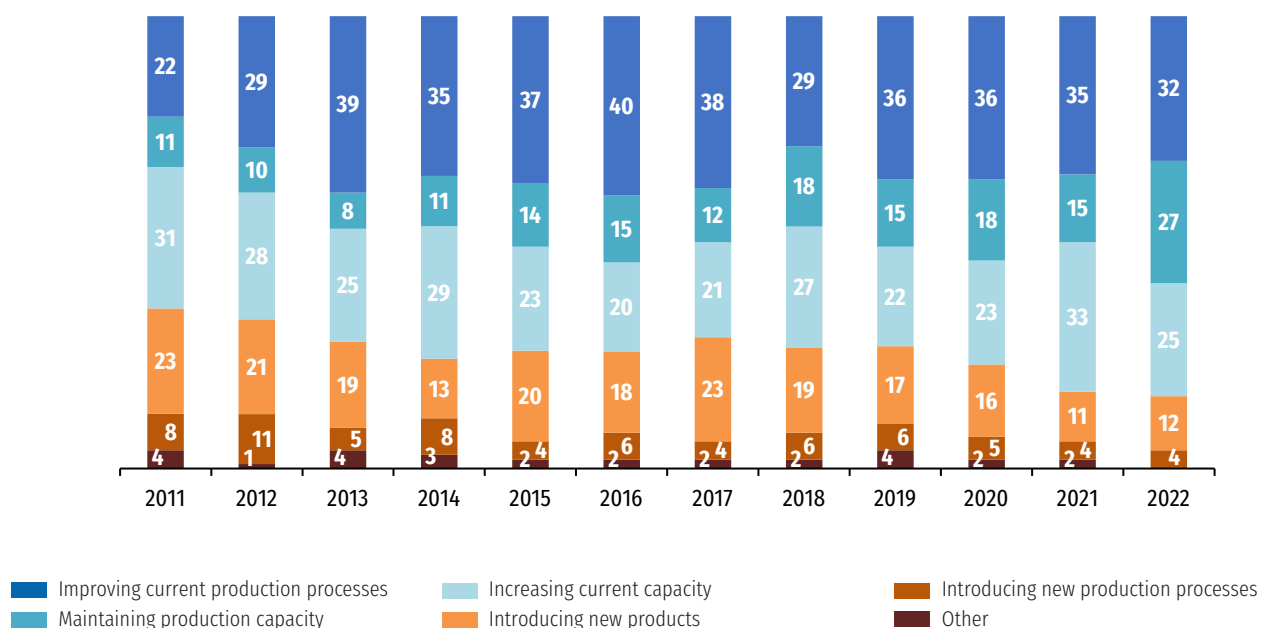
The type or nature of planned investment focuses on the acquisition of new machinery or equipment (61%), the construction,

maintenance or modernization of facilities (58%) and the maintenance or upgrade of machinery or equipment (51%).

Graph 9 – Companies that intend to invest by year
Share (%) in all valid responses

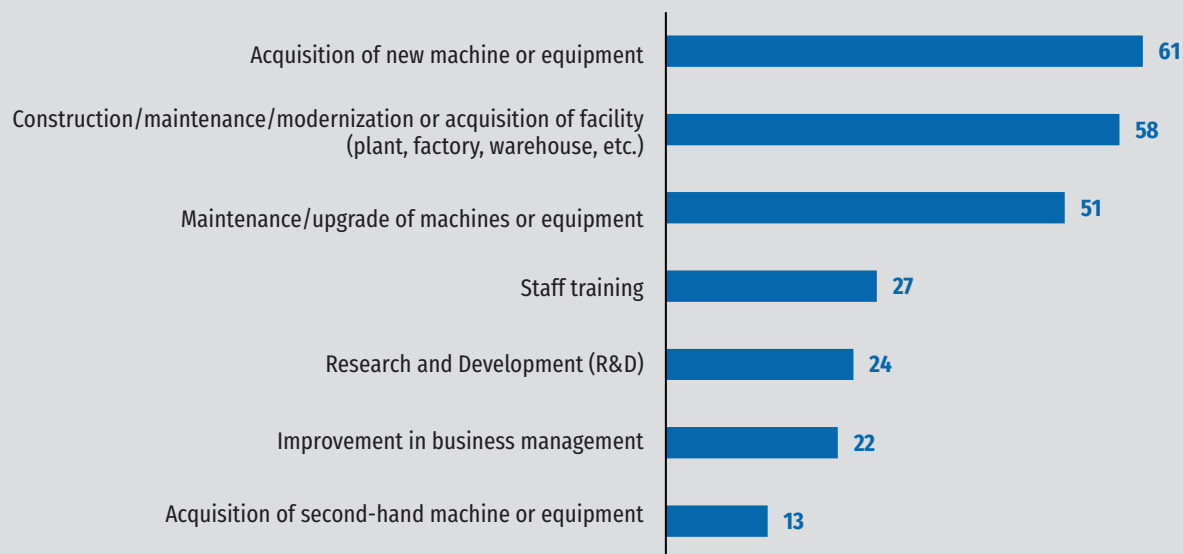


Graph 10 – Objective of the main planned investment
Share (%) of all companies with investment plans



Graph 11 - Type or nature of investment planned for 2022

Share (%) of all companies with investment plans



Graph 12 – Main reason for deciding not to invest in 2022

Share (%) of total companies not intending to invest in 2022



Rising input costs also affect 2022 investment plans

A quarter of large companies in the manufacturing industry had no plans to invest in 2022. The main reasons given for the decision not to invest were the increase in the costs of inputs (31%), the uncertainties in the economic context (23%) and the drop in revenues, limiting the resources for investment (12%). These were the same reasons mentioned by companies when asked about what thwarted their investment plans for 2021.

It is worth noting that the influence of the uncertainties of the economic context has grown in the investment decisions among large companies.

18% of the companies indicated this as the main reason that frustrated the investment planned for 2021 and 23% indicated this as the main reason that thwarted the investment planned for 2022.

The expectation of insufficient demand was another influencing factor that grew in comparison to what thwarted investments in 2021 and what was planned for 2022. As pointed out by 11% of the companies that were planning to invest in 2022, this reason reflects the industry's concern with the purchasing power of Brazilians in a scenario of high inflation. In 2021, the percentage was 7%.

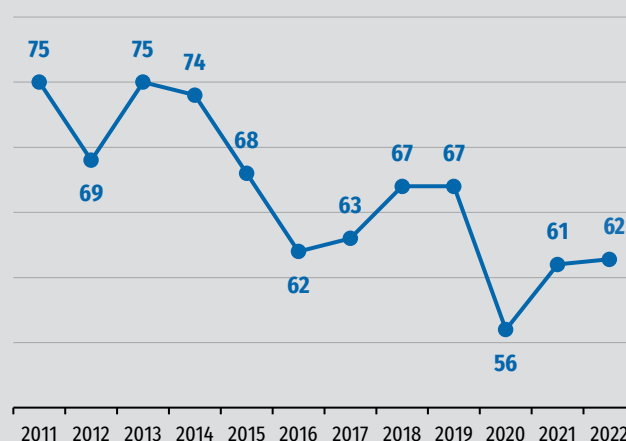
Domestic market remains the main focus of investments in the industry

The main focus of investment plans in 2022 is the domestic market. For 21%, the target market for planned investments is exclusively the domestic market, while for 41%, the focus is mainly the domestic market. The percentages are very close to those reported in the previous survey, relative to the target market of the investments planned for 2021.

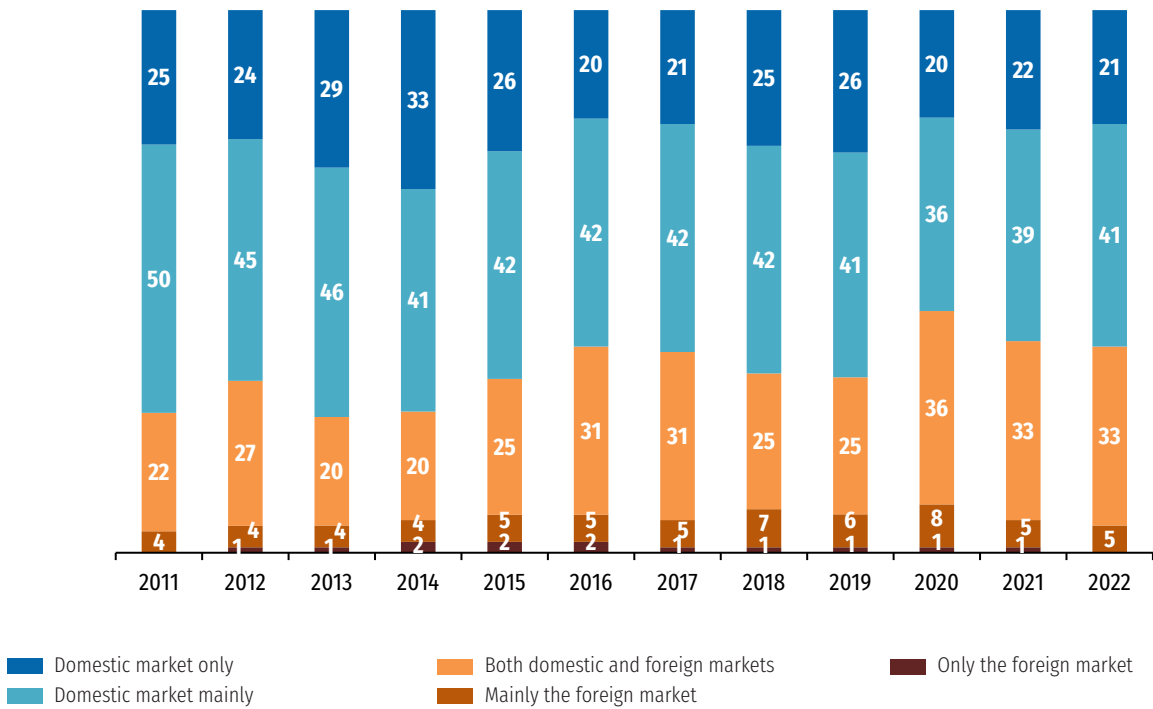
These values are lower than those reported when the survey was first conducted. In 2011, 25% of companies planned to invest targeting only the domestic market and 50% of companies focused mainly on the domestic market. The domestic market remains relevant for Brazilian industry, but the greater importance of foreign market participation in investments reinforces the importance of greater competitiveness in international trade.

Graph 13 – Total number of companies that plan to invest focusing only or mainly on the domestic market

Share (%) of all companies with investment plans



Graph 14 – Target market for planned investments
 Share (%) of all companies with investment plans





TECHNICAL SPECIFICATIONS

The survey was conducted with 380 large companies from January 3-17, 2022.



LEARN MORE

For more information on the survey, including historical series and methodology, kindly visit: www.cni.com.br/e_investindustria



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