

SMALL INDUSTRY OVERVIEW

ECONOMIC INDICATORS **CNI**

CNI Brazilian National Confederation of Industry

High interest rates worry small-scale industries, especially in construction

For small-scale construction industries, high interest rates were the problem that gained the most importance from the third to the fourth quarters of 2024. The percentage of small-scale construction industries that point to high interest rates as one of the top three problems grew 10.5 percentage points between the third and fourth quarters of 2024. Thus, it reached the top of the ranking of the main problems faced by small-scale construction companies (pointed out by 34.7% of the companies). Next are the high tax burden (pointed out by 33.9% of the companies) and unfair competition (pointed out by 23.7%).

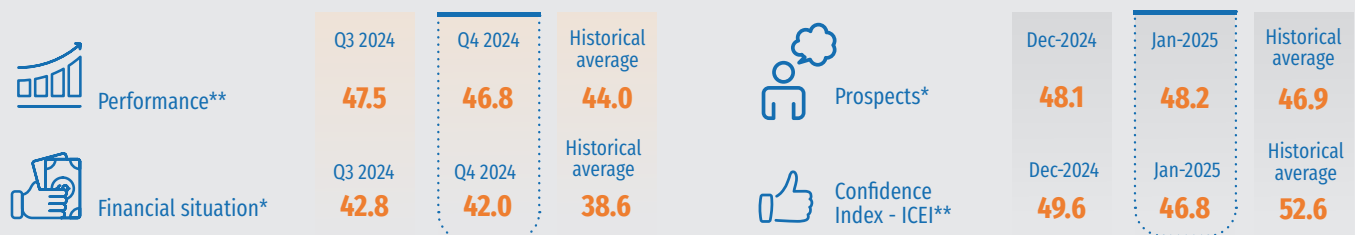
High interest rates also gained importance among the problems faced by small-scale companies in the manufacturing industry, moving from the 6th to the 5th position among the main problems. The problem began to be pointed out by 21.6% of small-scale companies in the sector as one of the main problems.

For small-scale manufacturing industries, the main problem faced in the fourth quarter of 2024 was the high tax burden, pointed out as one of the top three problems by 39.9% of the companies, followed by lack or high cost of skilled labor (pointed out by 26.9%) and lack or high cost of raw materials (pointed out by 23.0%).

The increased concern with the exchange rate is noteworthy. The percentage of small-scale manufacturing industries

Performance, financial situation, prospects and confidence indices of the small industry

Diffusion indices (0-100 points)



*The higher the index, the better the performance of the small industry in the month, the better the financial situation of the small industry in the quarter or the more positive are the prospects of the small industry businessman in the month.

**Values above 50 points indicate businessman's confidence and the higher the index, the more widespread is the confidence. Values below 50 points indicate lack of businessman's confidence and the lower the index, the greater and more widespread is the lack of confidence.

that point to the exchange rate as one of the top three problems grew 11.9 percentage points between the third and fourth quarters of 2024. Thus, this problem moved from the 12th to the 7th position in the ranking of main problems.

Simultaneously with the growth of these problems, the confidence of small-scale industrial business owners recorded a drop in January 2025, of 2.8 points, deepening the pessimism that this size of industry had been recording since December 2024. It is the fourth consecutive drop in the confidence index of small businesses, which has already accumulated a drop of 5.2 points since September.

PERFORMANCE OF SMALL INDUSTRIES IN THE FOURTH QUARTER OF 2024

Industrial activity of small-scale industries has positive performance

The performance index of small-scale industries started the 4th quarter of 2024 with an increase, moving from 47.5 points in September to 48.2 points in October, slowing down in the following months, as usual for the period.

Thus, the average performance index for the 4th quarter of 2024 was 46.8

points. It is a positive result, significantly above the historical average of the index, which is 44.0 points. It is also a better result compared to the average result for the 4th quarter of 2023, which was 45.9 points.

The indicator is calculated considering a weighting between the volume of production, effective use of installed capacity in relation to the usual, and the evolution of the number of employees. The higher the index, the better the performance in the period.

Small Industry Performance Index
Index (0 to 100 points)*



*The higher the index, the better the performance of the small industry in the month.

Note: The small industry performance index is a weighted average of the performance indices of the small extractive, manufacturing, and construction industries.

FINANCIAL SITUATION OF SMALL INDUSTRY IN THE FOURTH QUARTER OF 2024

Financial conditions of small-scale industries worsen in the fourth quarter

The financial situation index of small-scale industries fell 0.8 point, to 42.0 points, indicating a perception of worsening financial situation between the third and fourth quarters of 2024.

Despite the drop, the index remains 3.4 points above its historical average

of 38.6 points, showing that the current financial situation is still more favorable than usual.

The index takes into account satisfaction with the operating profit margin and with the financial situation, as well as the evaluation of the ease of access to credit. The higher the index, the better the financial situation of small businesses.

Small Industry Financial Situation Index
Index (0 to 100 points)*



*The higher the index, the better the financial situation of the small industry in the quarter.



MAIN PROBLEMS OF SMALL INDUSTRY IN THE FOURTH QUARTER OF 2024

High tax burden and interest rates worry small-scale manufacturing and construction industries

For small-scale construction industries, high interest rates were the concern that advanced the most between the third and fourth quarters of 2024. The problem was pointed out, in the fourth quarter of 2024, by 34.7% of small-scale construction industries as one of the top three problems faced by the company in the quarter, an advance of 10.5 percentage points compared to the previous quarter. Thus, the problem moved from the 3rd to the 1st position in the ranking of main problems of these companies in this period.

After high interest rates, the main problems pointed out by small-scale construction industries were high tax burden (pointed out by 33.9% of the companies) and unfair competition (pointed out by 23.7%).

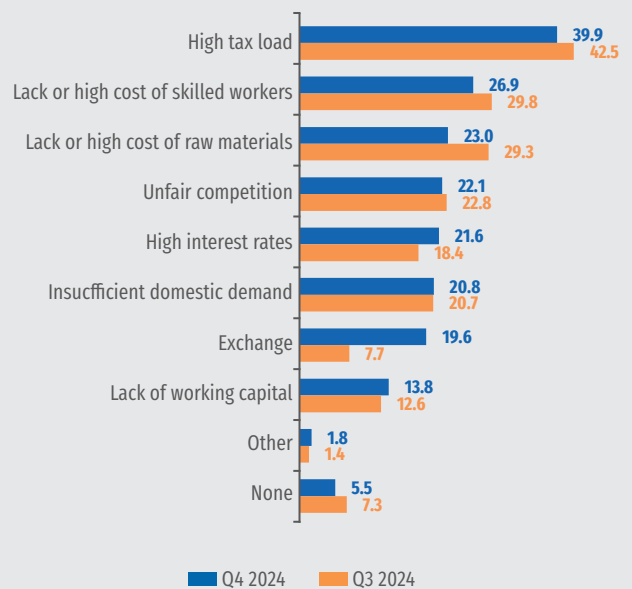
In the case of small-scale manufacturing industries, the top three in the ranking of main problems in the fourth quarter of 2024 were high tax burden (pointed out by 39.9% of the companies), lack or high cost of skilled labor (pointed out by 26.9%) and lack or high cost of raw materials (pointed out by 23.0%).

Among small-scale manufacturing industry companies, the problem that advanced the most between the third and fourth quarters of 2024 was the exchange rate. The percentage of companies that point to this as one of the top three problems advanced 11.9 percentage points between the third and fourth quarters of 2024, from 7.7% to 19.6%.

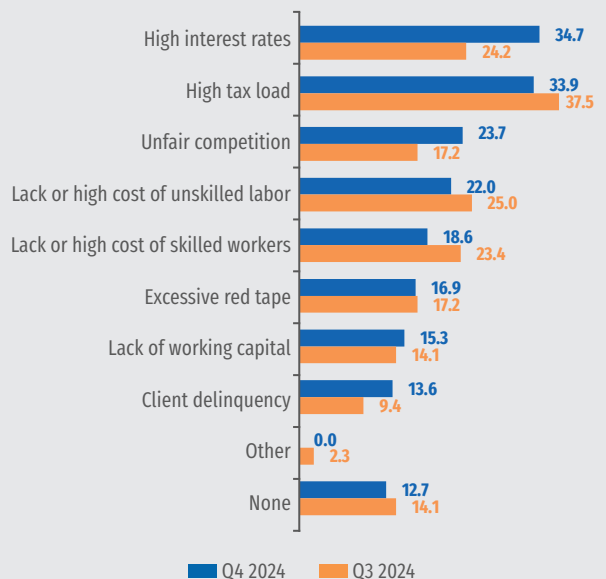
Main problems faced by Small Scale Industry

Percentage (%)

Manufacturing



Construction



*For the question regarding the main problems, a list of answer options is presented to the businessman. The businessman can choose to indicate up to three answer options.

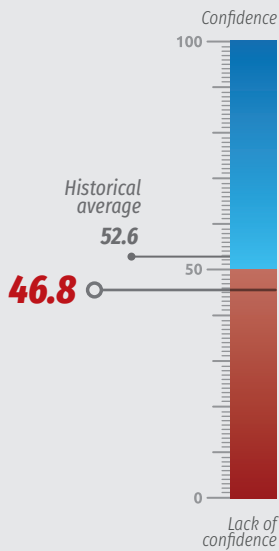
CONFIDENCE AND PROSPECTS OF THE SMALL INDUSTRY IN JANUARY 2025

Confidence of small industries has a sharp drop and reaches the lowest level since June 2020

Small-scale industries recorded a sharp drop in the Industrial Entrepreneur Confidence Index (ICEI) in January 2025. The ICEI for small businesses fell 2.8 points and moved to 46.8 points in January 2025. It is the fourth consecutive drop in the ICEI of small businesses, which has already accumulated a drop of 5.2 points since September 2024.

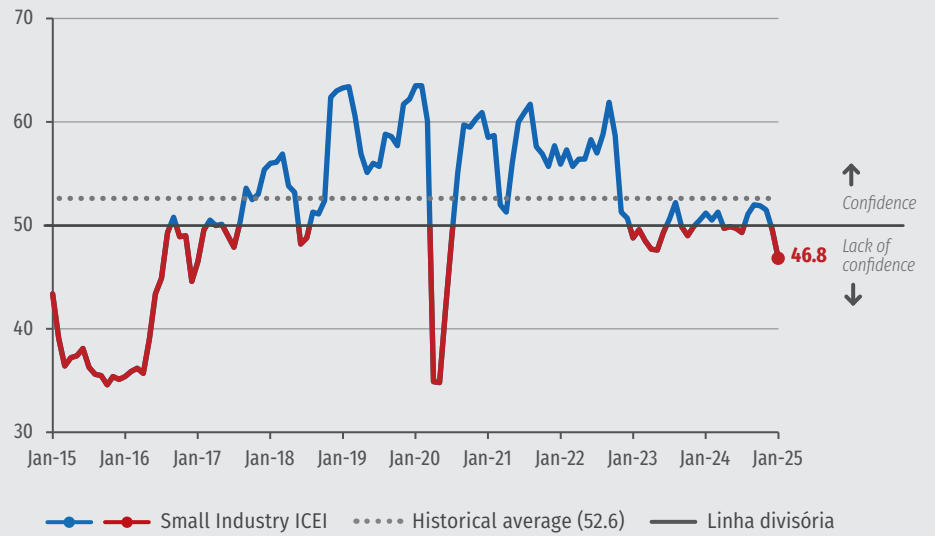
The result demonstrates a deepening of the pessimism that had already been recorded since December 2024, when the ICEI of small businesses had already fallen below the dividing line of 50 points. The index for January 2025 is the lowest level recorded for the confidence of small industries since June 2020.

Small Industry ICEI
Index (0 to 100 points)*



Historic Series

Index (0 to 100 points)*



*Values above 50 points indicate businessman's confidence. The further above 50 points, the greater and more widespread is the confidence. The further below 50 points, the greater and more widespread is the lack of confidence.



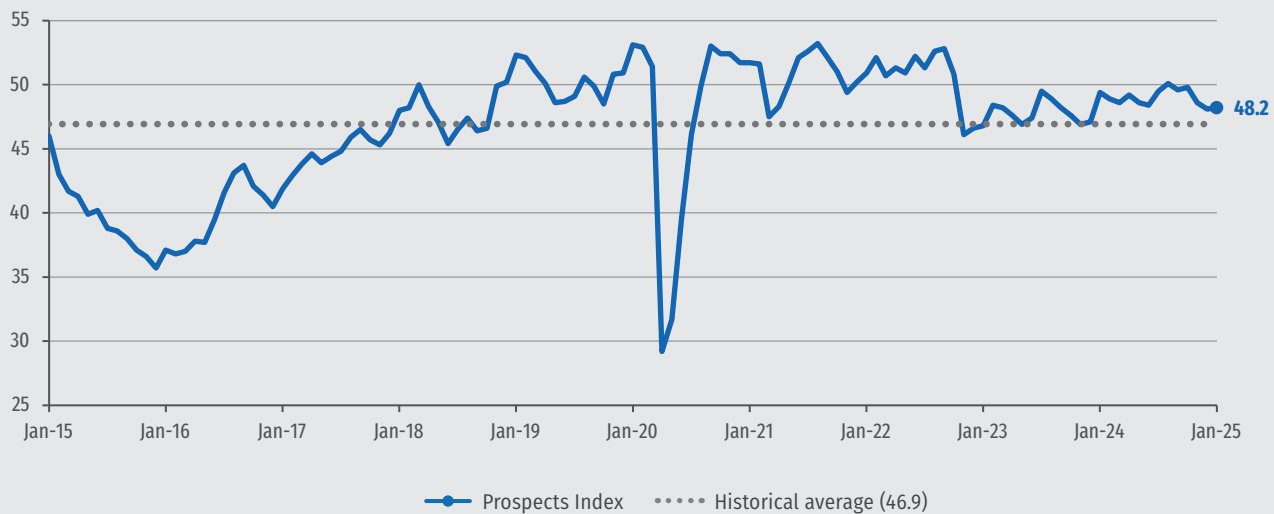
Prospects of small industries remain

The prospects index of small-scale industries, which captures the expectations of these companies for the next six months, remained practically stable in January 2025,

varying +0.1 point compared to December 2024, to 48.2 points. The value of the index suggests some moderation of optimism, as it is relatively close to the historical average of 46.9 points. The prospects index is 1.2 points below that recorded in January 2024.

Small Industry Prospects Index

Index (0 to 100 points)*



*The higher the index, the more positive the prospects for the small business entrepreneur.

Technical specifications

The Small Industry Overview is a quarterly publication, generated from the results of CNI's Industrial Survey, Construction Industry Survey, and Business Confidence Index (ICEI).

Document completed on January 29, 2025.

Learn More

The research methodology and the historical series of the indices of Performance, Financial Conditions, Perspectives, the main problems, and the ICEI of small-scale industry are available at www.cni.com.br/e_ppi

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