

# INDUSTRIAL SURVEY

ECONOMIC INDICATORS **CNI**
**CNI**  
 Brazilian National Confederation of Industry  
 THE FUTURE OF INDUSTRY

## Among the Problems Faced by the Industry, High-Interest Rates Have Gained Significant Importance

In Q1 2023, industrial entrepreneurs cited three main problems: high tax load, insufficient domestic demand, and high-interest rates. The first two issues typically rank high on the list of problems. However, the issue of high-interest rates has been gaining more relevance over time, and in this quarter, it reached its highest mark in the historical series.

Entrepreneurs' perception of high-interest rates affects several other issues that are directly related to it. This, in turn, exacerbates their perception of insufficient domestic demand, increases the difficulty of obtaining credit, and influences investment decisions.

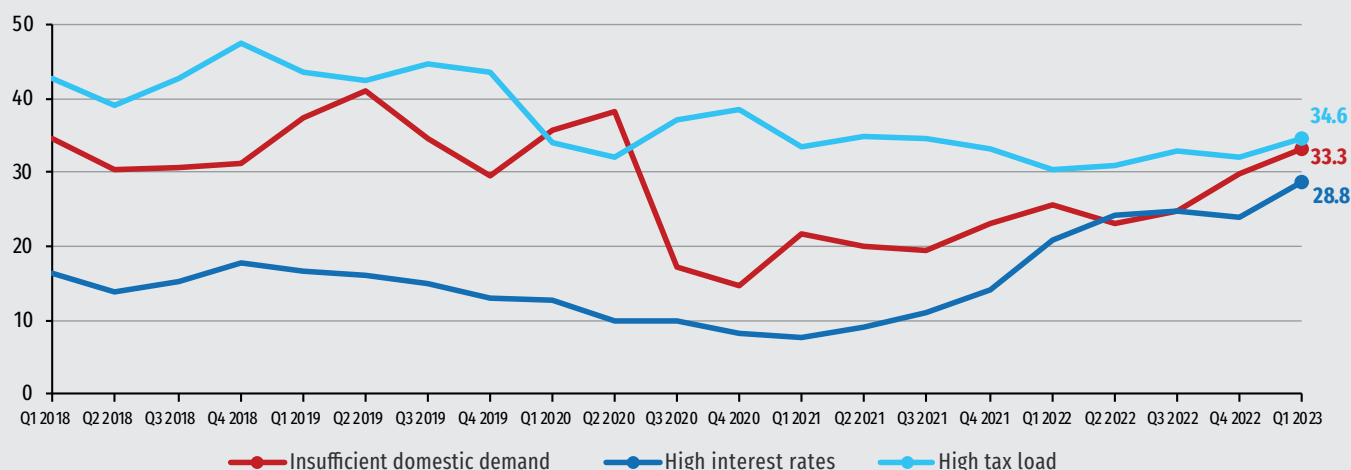
In addition, the industries indicated a worsening in their financial conditions during the quarter, with entrepreneurs expressing dissatisfaction with their profit margins and overall financial situation.

The production and capacity utilization in the industry showed an increase from February to March, which is a typical trend for this period. However, there was a decrease in employment during the same period. In contrast, inventory levels increased and are currently exceeding entrepreneurs' plans.

In April 2023, the majority of industries remained optimistic about the coming months. The intention to invest showed no significant change during the period.

### Main problems faced by the Industry

Percentage of mentions among the three main problems faced by the Industry in the quarter (%)<sup>\*</sup>



<sup>\*</sup>In the survey, the entrepreneur is asked to mention up to three real problems for his or her company. Thus, the sum of the percentages exceeds 100%. Presented here is the history of the three most frequently mentioned problems in the first quarter of 2023.

## INDUSTRIAL PERFORMANCE IN MARCH 2023

### Industrial Production Grows in March

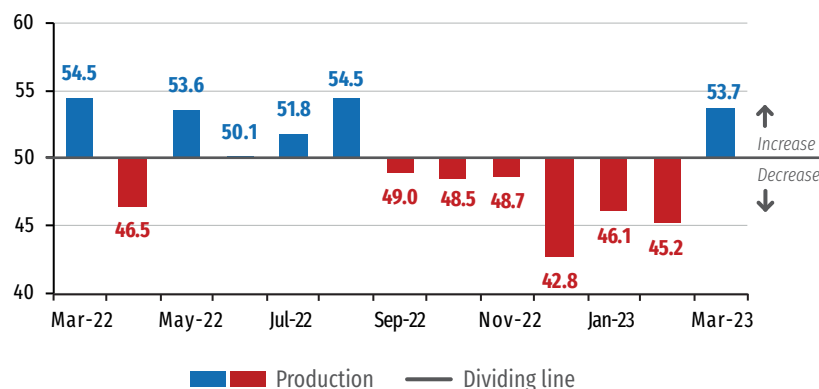
The industrial production evolution index showed growth from February to March, reaching 53.7 points. It is common for March to show growth in the industrial production evolution index, so a reversal movement is expected for this period. It should be noted that the increase in March 2023 is significant, as it is above the historical average for the month of March (51.2 points). However, it follows a six-month period where the indicator remained below 50 points. In other words, the higher index in March 2023 does not necessarily indicate an exceptionally strong level of production.

The number of employees variation index has been below the dividing line of 50 points since October 2022, indicating a perception of declining industrial employment in the last two quarters.

In March 2023, the index stood at 49.5 points. The result is above the average for the March months (44.8 points).

#### Variation of production

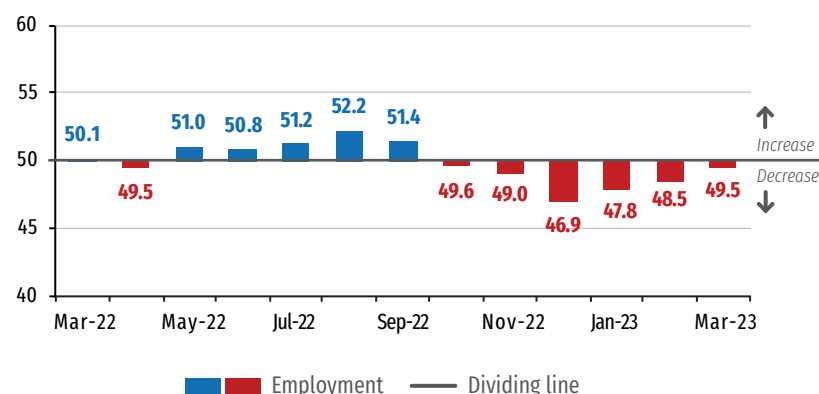
Diffusion index (0 to 100 points)\*



\*A score above 50 points indicates an increase in production compared to the previous month, while a score below 50 points indicates 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 in the number of employees

Diffusion index (0 to 100 points)\*



\*A score above 50 points indicates an increase in employment compared to the previous month, while a score below 50 points indicates 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.

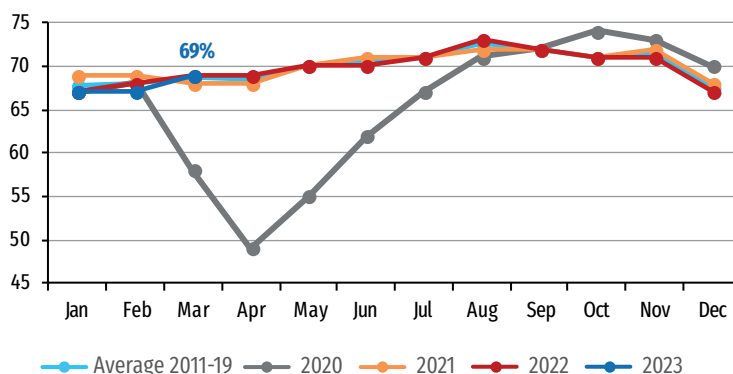
## Capacity Utilization Grows

The Capacity Utilization increased by 2 percentage points (p.p.) from February to March, to 69%. It is noteworthy that the March capacity utilization is 1.0 percentage point above the historical average for March.

In March, the effective versus common capacity utilization index increased by 3.1 points compared to the previous month, reaching 44.8 points. The March 2023 index exceeds the historical average for March months by 2.0 points (42.8 points).

### Average capacity utilization

Percentage (%)



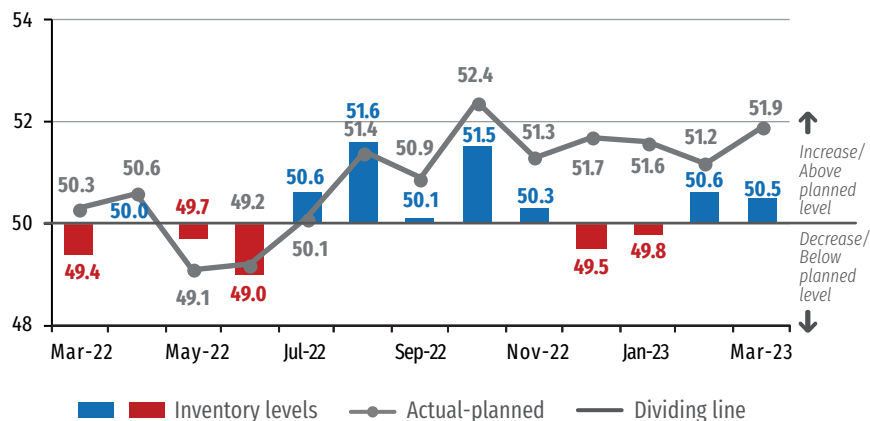
## Inventories Rise and Stay Above the Planned Level

The inventory level variation index stood at 50.5 points in March. The result, above the 50-point dividing line, shows inventory growth from February to March 2023. The index remained virtually unchanged from February (a decrease of only 0.1 points), indicating that the accumulation of inventories has maintained the same pace in the last two months.

The effective inventory level compared to the planned inventory level index rose by 0.7 points, reaching 51.9 points in March. A score above 50 points indicates that the inventory level is above the level planned by entrepreneurs. The increase in the index, on the other hand, indicates that the unwanted accumulation was more significant and prevalent among companies in March, as it moved further away from the 50-point dividing line. Since July 2022, this index has consistently remained above the 50-point mark, indicating that entrepreneurs are facing challenges in managing and adjusting their inventories.

### Variation in inventory levels and actual inventory against the planned level

Diffusion index (0 to 100 points)\*



\*A score above 50 points indicates an increase in inventory levels or that actual inventory is above planned levels. A score below 50 points indicates a decline in inventory levels or that actual inventory is below planned levels. The further the point score is from 50 points, the greater the change or the distance from planned levels.

## FINANCIAL CONDITIONS OF THE INDUSTRY IN Q1 2023

### Financial Conditions Across Industries Have Worsened in the Quarter

In the first quarter of 2023, the satisfaction index with operating profit fell by 2.5 points, decreasing from 47.3 points to 44.8 points. Since Q1 2021, the index has remained below the 50-point dividing line, indicating entrepreneurs' dissatisfaction with the profit margin. The decrease in the index indicates that the dissatisfaction with the profit margin has intensified and become more widespread among entrepreneurs.

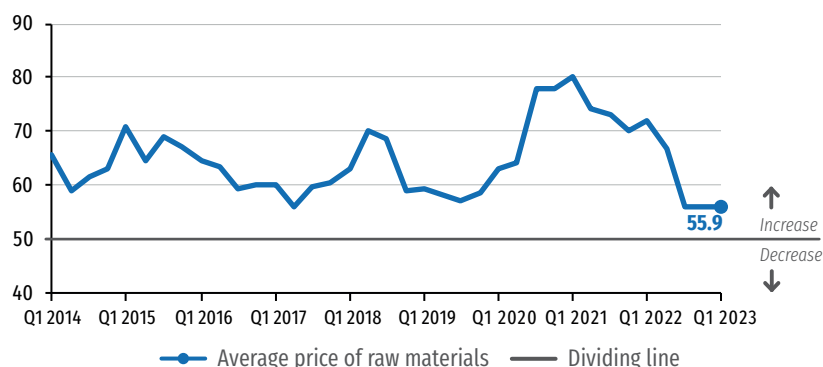
The indicator for satisfaction with the company's financial status stood at 49.7 points, down 2.1 points from the previous quarter. It is noteworthy that the index had been above the 50-point dividing line since the second quarter of 2022, indicating satisfaction among industrial entrepreneurs. This situation has changed in the current quarter as the drop has resulted in the index falling below the 50-point dividing line, indicating widespread dissatisfaction with the financial situation in the period.

The index that measures the ease of access to credit experienced a significant drop of 4.7 points in the first quarter, declining from 42.7 points to 38.0 points. The result suggests that industrial entrepreneurs faced significant challenges in obtaining credit, as the indicator not only fell below the 50-point dividing line but also dropped below the historical series average of 39.8 points. The challenge in accessing credit is associated with stricter requirements for credit approval due to the high default rate.

The indicator for the variation of raw material prices fell slightly by 0.1 points to 55.9 points. The result remains above the 50-point dividing line, indicating an increase in raw material prices in the period. However, it should be noted that the increase in input prices has become less severe. Since the first quarter of 2022, the index has been showing successive declines, indicating that the increase in prices is less intense and less widespread. The current level of the index is at its historical low.

#### Average price of raw materials

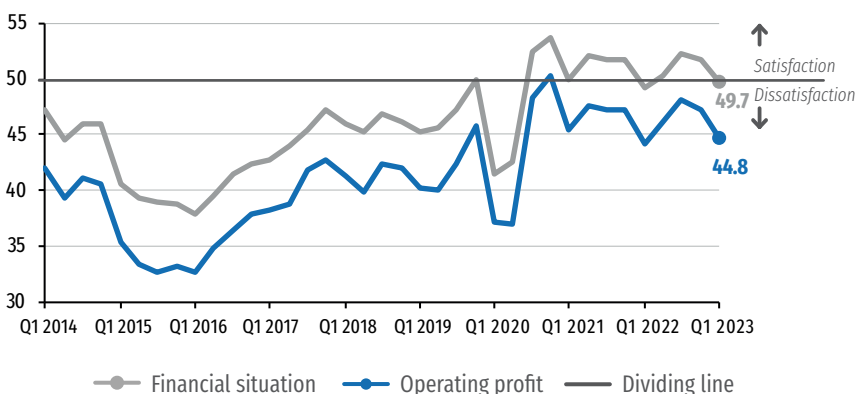
Diffusion index (0 to 100 points)\*



\* The index ranges from 0 to 100. A score above 50 points indicates an increase in the price of raw materials. A score below 50 points indicates a decrease in the price of raw materials.

#### Satisfaction with operating profit and financial situation

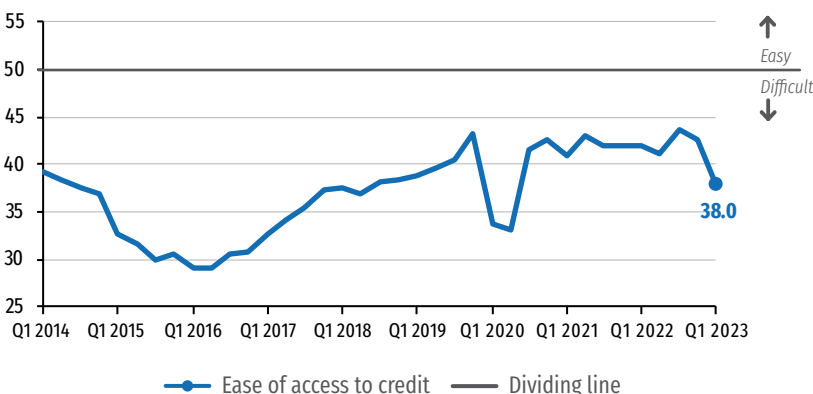
Diffusion index (0 to 100 points)\*



\* Satisfaction indices range from 0 to 100. A score above 50 points indicates satisfaction. A score below 50 indicates dissatisfaction.

#### Ease of access to credit

Diffusion index (0 to 100 points)\*



\* The index ranges from 0 to 100. A score above 50 points indicates easy access to credit. A score below 50 points indicates difficult access to credit.

## PROBLEMS FACED BY THE INDUSTRY IN Q1 2023

### High Tax Load, Insufficient Domestic Demand, and High-Interest Rates are Among the Main Problems

In the first quarter of 2023, the high tax load ranked at the top of the list of main problems faced by the industry. The problem was mentioned by 34.6% of industrial entrepreneurs, representing a 2.5 percentage point (p.p.) increase from the previous quarter.

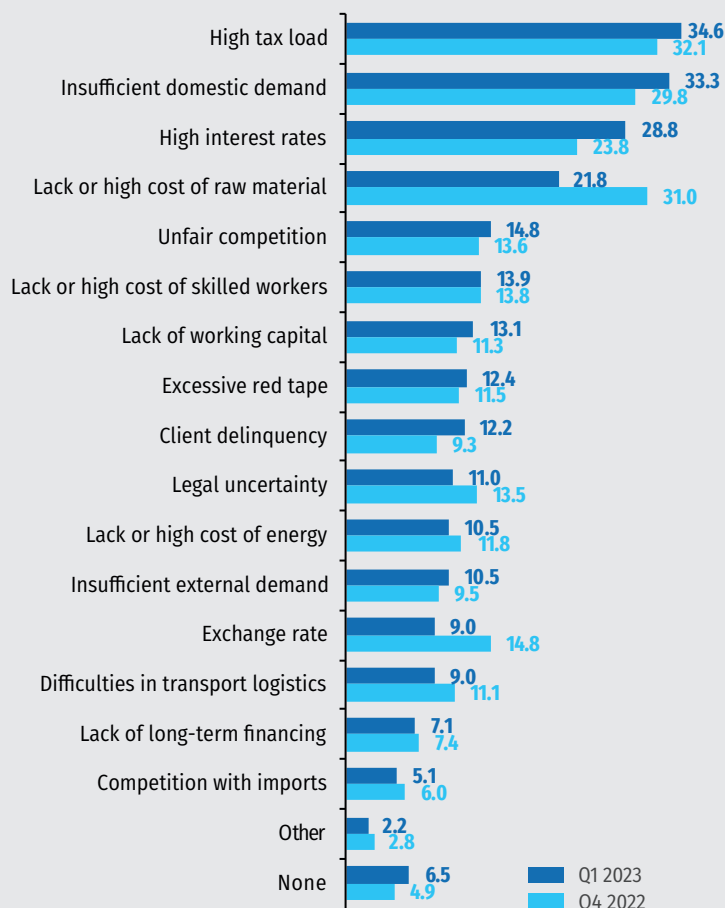
Throughout the historical series, this problem reached high percentages and was usually ranked in the highest positions. This issue has been at the top of the ranking for two consecutive quarters, displacing the lack/high cost of raw materials which held the top spot for nine quarters.

Entrepreneurs ranked insufficient domestic demand in second place, with 33.3% of responses. There was a 3.5-percentage point increase in the number of mentions comparing the first quarter of 2023 to the fourth quarter of 2022. This problem is not new, and it may worsen in 2023 due to the current high-interest rates and the slowdown in economic activity.

The high-interest rates ranked third, increasing by 5.0 percentage points, compared to the previous quarter, reaching 28.8%. This is the highest number of times this problem has been mentioned in the historical series. It is important to highlight that throughout 2022, the percentage of mentions for this item showed successive increases, with percentages above 20% in all quarters of the year, indicating that this problem remains prominent. The fact that interest rates remain high only reinforces this concern. This perception on the part of entrepreneurs also affects investment decisions, consumer

#### Main problems faced by the Industry in the quarter

Percentage of total industries (%)\*



\*In the survey, the entrepreneur is asked to mention up to three real problems for his or her company. Thus, the sum of the percentages exceeds 100%.

demand for goods, and the ability to renegotiate debts, as these issues are heavily influenced by interest rates.

The percentage of industrial entrepreneurs who mentioned lack or high cost of raw materials as one of the main problems fell from 31.0% to 21.8%. The significant drop of 9.2 percentage points marked the eighth consecutive decline. Since Q1 2021, there has been an accumulated drop of 45.4 percentage points, indicating a gradual improvement in this issue, while other problems have become more relevant.

## INDUSTRIAL EXPECTATIONS IN APRIL 2023

### The Industry Is More Optimistic About the Coming Months

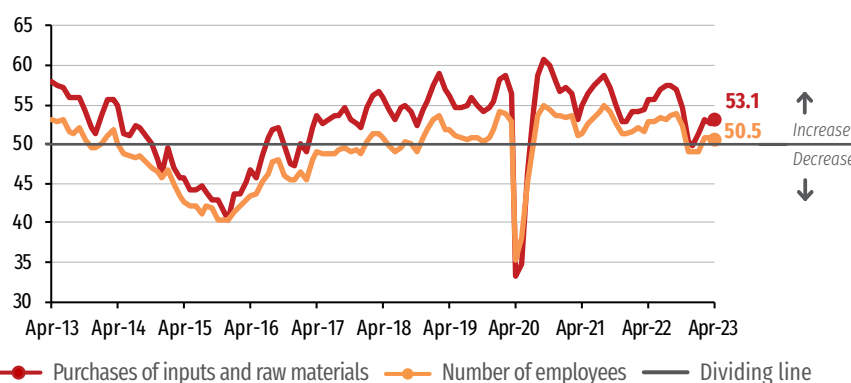
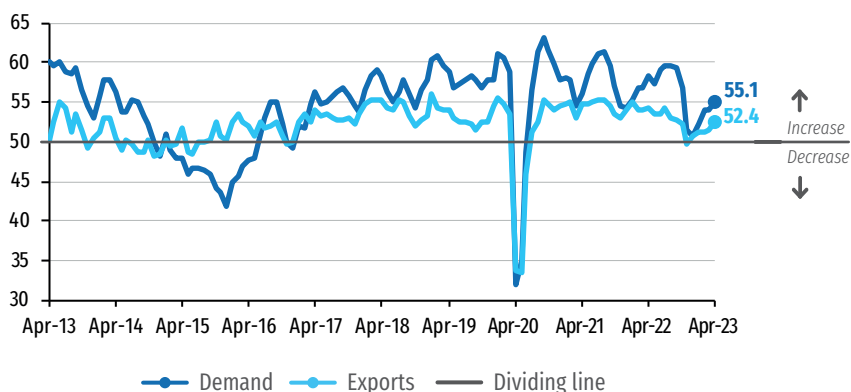
In March 2023, the majority of the expectation indexes exhibited moderate increases. Specifically, the indexes for demand expectations, raw material purchases, and export quantity all increased. The variations in these indexes indicate that industrial entrepreneurs are becoming more optimistic about the next six months, with expectations of growth.

The demand expectation index stood at 55.1 in April 2023, representing a 1.0-point increase compared to March. The exported quantity expectation index increased by 0.8 points, to 52.4 points. The expectation index of purchases of raw materials stood at 53.1 points, a result 0.5 points higher than the previous month.

However, the number of employees' expectation index showed a slight decline in the period, but it remains at a level that indicates an expectation of growth. The number of employees' expectation index in April 2023 was 50.5 points, which is 0.2 points lower than the previous month but still above the 50-point threshold.

#### Expectation indices

Diffusion index (0 to 100 points)\*



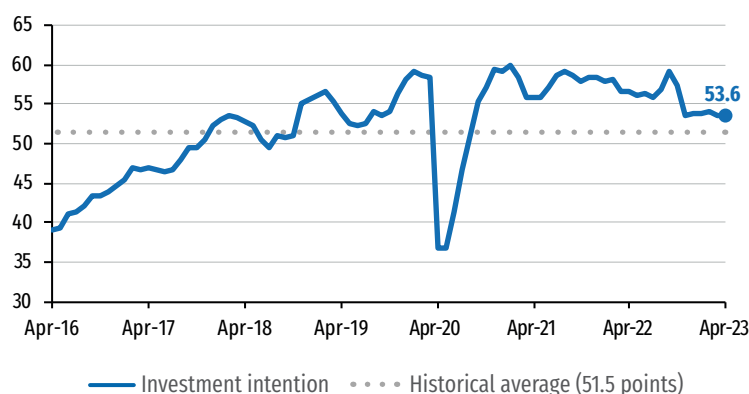
\*A score above 50 points indicates expectations of growth, while a score below 50 points indicates an expected decrease. The further the point score is from 50 points, the greater and more widespread the expected variation.

### Stability of the Industrial Entrepreneur's Intention to Invest

In April 2023, the intention to invest index of industrial entrepreneurs remained stable at 53.6 points. The intention to invest has been stable since November 2022. The stability in the intention to invest index has been sustained at a relatively high level, surpassing the historical average of 51.5 points. This indicates that there is an above-average intention to invest in the industry.

#### Investment intention

Diffusion index (0-100 points)\*



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



## RESULTS

### Financial conditions in the quarter

	OPERATING PROFIT MARGIN			AVERAGE PRICE OF RAW MATERIALS			FINANCIAL SITUATION			ACCESS TO CREDIT		
	Q1 2022	Q4 2022	Q1 2023	Q1 2022	Q4 2022	Q1 2023	Q1 2022	Q4 2022	Q1 2023	Q1 2022	Q4 2022	Q1 2023
General Industry	44.2	47.3	44.8	72.0	56.0	55.9	49.3	51.8	49.7	42.0	42.7	38.0
BY INDUSTRIAL SEGMENT												
Mining and quarrying	50.2	51.5	51.1	75.6	59.4	57.3	54.2	56.7	58.6	53.0	49.6	46.7
Manufacturing	44.0	47.1	44.6	71.9	56.0	55.9	49.0	51.7	49.4	41.7	42.5	37.5
BY SIZE												
Small <sup>1</sup>	41.3	44.0	40.5	74.7	59.2	59.0	44.5	46.6	44.0	38.9	38.1	33.7
Medium <sup>2</sup>	42.7	45.1	43.3	71.6	56.1	57.4	48.0	50.2	48.8	40.7	42.1	39.1
Large <sup>3</sup>	46.5	50.1	47.7	70.9	54.4	53.6	52.3	55.3	53.0	44.3	45.2	39.5

Indicators range from 0 to 100 points. A score above 50 points indicates satisfaction with the operating profit margin and financial status, easy access to credit, or an increase in the average price of raw materials. A score below 50 points indicates dissatisfaction with the operating profit margin and financial status, 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 to 249 employees. 3 - Company with 250 or more employees.

### Main problems in Industry

	GENERAL			SMALL			AVERAGE			LARGE		
	Q4 2022	Q1 2023		Q4 2022	Q1 2023		Q4 2022	Q1 2023		Q4 2022	Q1 2023	
Items	%	%	Position	%	%	Position	%	%	Position	%	%	Position
High tax load	32.1	34.6	1	35.9	38.4	1	34.2	39.1	1	29.1	30.3	3
Insufficient domestic demand	29.8	33.3	2	25.1	29.7	2	30.8	36.9	2	31.7	33.3	1
High interest rates	23.8	28.8	3	21.0	23.1	4	22.4	26.3	3	26.0	32.9	2
Lack or high cost of raw material	31.0	21.8	4	31.6	23.6	3	30.6	24.3	4	31.0	19.7	4
Unfair competition	13.6	14.8	5	22.6	20.8	5	15.2	17.3	5	8.3	10.6	12
Lack or high cost of skilled workers	13.8	13.9	6	17.3	18.4	6	15.6	12.8	6	11.1	12.2	8
Lack of working capital	11.3	13.1	7	14.3	14.5	7	12.3	12.1	10	9.2	12.9	6
Excessive red tape	11.5	12.4	8	11.2	11.7	10	10.3	12.3	9	12.3	12.9	6
Client delinquency	9.3	12.2	9	11.4	14.5	7	9.6	12.5	8	8.0	11.0	11
Legal uncertainty	13.5	11.0	10	12.1	7.9	11	13.5	12.8	6	14.2	11.5	10
Insufficient external demand	9.5	10.5	11	7.6	7.4	12	8.1	7.9	13	11.1	13.4	5
Lack or high cost of energy	11.8	10.5	11	13.7	14.2	9	14.5	10.9	11	9.5	8.5	14
Difficulties in transport logistics	11.1	9.0	13	5.9	6.8	13	9.6	9.9	12	14.4	9.6	13
Exchange rate	14.8	9.0	13	7.1	5.3	16	11.2	7.4	14	20.6	11.7	9
Lack of long-term financing	7.4	7.1	15	6.8	6.5	14	7.4	6.5	15	7.6	7.7	15
Competition with imports	6.0	5.1	16	5.2	5.5	15	5.8	6.0	16	6.6	4.5	16
Other	2.8	2.2		2.4	2.7		2.5	2.1		3.1	2.1	
None	4.9	6.5		5.5	6.8		6.0	4.3		4.0	7.5	

Note: In the survey, the entrepreneur is asked to flag up to three real problems for his or her company. Thus, the sum of the percentages exceeds 100%.

## RESULTS

### Industry Performance

	PRODUCTION EVOLUTION			NUMBER OF EMPLOYEES EVOLUTION			CAPACITY UTILIZATION (%)			ACTUAL-USUAL CAPACITY UTILIZATION			INVENTORIES LEVELS EVOLUTION			ACTUAL-PLANNED INVENTORIES		
	Mar-22	Feb-23	Mar-23	Mar-22	Feb-23	Mar-23	Mar-22	Feb-23	Mar-23	Mar-22	Feb-23	Mar-23	Mar-22	Feb-23	Mar-23	Mar-22	Feb-23	Mar-23
<b>Total</b>	<b>54.5</b>	<b>45.2</b>	<b>53.7</b>	<b>50.1</b>	<b>48.5</b>	<b>49.5</b>	<b>69</b>	<b>67</b>	<b>69</b>	<b>45.7</b>	<b>41.7</b>	<b>44.8</b>	<b>49.4</b>	<b>50.6</b>	<b>50.5</b>	<b>50.3</b>	<b>51.2</b>	<b>51.9</b>
<b>BY INDUSTRIAL ACTIVITY</b>																		
Mining and quarrying	59.1	47.7	<b>58.0</b>	49.7	53.1	<b>52.5</b>	76	74	<b>77</b>	50.1	46.5	<b>47.1</b>	48.2	51.9	<b>50.3</b>	53.3	51.9	<b>55.4</b>
Manufacturing	54.3	45.1	<b>53.6</b>	50.0	48.4	<b>49.4</b>	69	66	<b>69</b>	45.5	41.5	<b>44.7</b>	49.3	50.6	<b>50.5</b>	50.1	51.3	<b>51.8</b>
<b>BY COMPANY SIZE</b>																		
Small <sup>1</sup>	50.5	40.1	<b>49.7</b>	48.7	46.4	<b>47.7</b>	63	60	<b>63</b>	44.7	39.1	<b>42.6</b>	47.5	47.2	<b>48.8</b>	46.6	46.4	<b>47.5</b>
Medium <sup>2</sup>	55.5	42.9	<b>52.4</b>	50.3	47.6	<b>49.1</b>	69	65	<b>68</b>	45.8	40.3	<b>44.0</b>	49.9	50.8	<b>50.1</b>	49.7	50.8	<b>50.5</b>
Large <sup>3</sup>	55.9	49.0	<b>56.4</b>	50.6	50.1	<b>50.7</b>	72	72	<b>73</b>	46.2	43.8	<b>46.4</b>	50.1	52.1	<b>51.5</b>	52.5	53.8	<b>54.8</b>

Indicators range from 0 to 100 points. A score above 50 points indicates an increase, above-planned inventories, or capacity utilization higher than usual. On the other hand, a score below 50 points suggests 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.

### Industrial Expectations

	DEMAND			EXPORTS VOLUMES			PURCHASES OF RAW MATERIALS			NUMBER OF EMPLOYEES			INVESTMENT INTENTIONS*		
	Apr-22	Mar-23	Apr-23	Apr-22	Mar-23	Apr-23	Apr-22	Mar-23	Apr-23	Apr-22	Mar-23	Apr-23	Apr-22	Mar-23	Apr-23
<b>Total</b>	<b>58.2</b>	<b>54.1</b>	<b>55.1</b>	<b>54.3</b>	<b>51.6</b>	<b>52.4</b>	<b>55.7</b>	<b>52.6</b>	<b>53.1</b>	<b>52.9</b>	<b>50.7</b>	<b>50.5</b>	<b>56.6</b>	<b>53.6</b>	<b>53.6</b>
<b>BY INDUSTRIAL ACTIVITY</b>															
Mining and quarrying	56.7	55.3	<b>54.0</b>	56.9	55.5	<b>58.9</b>	55.4	52.2	<b>53.7</b>	52.6	51.0	<b>53.3</b>	63.4	65.8	<b>70.2</b>
Manufacturing	58.1	54.0	<b>55.0</b>	54.1	51.6	<b>52.0</b>	55.7	52.7	<b>53.0</b>	52.9	50.7	<b>50.4</b>	56.2	53.1	<b>53.0</b>
<b>BY COMPANY SIZE</b>															
Small <sup>1</sup>	57.8	53.4	<b>54.4</b>	52.1	50.2	<b>51.6</b>	55.6	51.8	<b>52.5</b>	52.8	50.1	<b>49.5</b>	44.7	41.0	<b>40.4</b>
Medium <sup>2</sup>	58.9	53.1	<b>54.4</b>	56.6	52.1	<b>53.1</b>	56.4	51.8	<b>52.6</b>	54.0	50.1	<b>50.3</b>	54.4	51.6	<b>51.9</b>
Large <sup>3</sup>	58.0	54.9	<b>55.8</b>	54.1	52.0	<b>52.4</b>	55.4	53.5	<b>53.7</b>	52.4	51.4	<b>51.1</b>	63.7	60.9	<b>61.1</b>

Indicators range from 0 to 100 points. A score above 50 points indicates expectations of growth, while a score below 50 points indicates an expected decrease.

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

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

1,685 enterprises, including 674 small, 585 medium and 426 large companies.

#### Collection period

April 3-13, 2023.

Document completed on April 18, 2023.



### Learn more

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